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ETHNIC
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Making Up for Lost Time

SURVEY: IS DPSC PRODUCING THE PRODUCE? 14

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PRODUCE PROFESSIONALISM

There's a lot of commotion in the produce department these days. Commissary systems are gearing up to provide patrons with more sophisticated, professionalized service. As Fred Arias of AFCOMS says, produce is going to be "revolutionized" from here on out

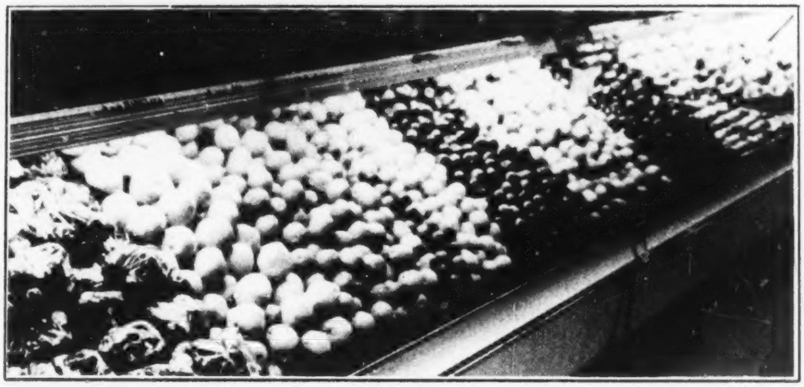
By John A. de Ferrari

PRODUCE SALES figures in military commissaries are currently hovering around five percent of total store sales. Some systems run a little higher, and some are a little lower.

But meanwhile, produce has been accounting for over seven percent of total store sales in commercial grocery chains, according to a recent Food Marketing Institute survey.

Why does this significant disparity exist? What, if anything, can be done to close the gap between military and civilian produce sales figures? —Many factors are involved. For one thing, commissary produce sales are inhibited by the fact that many patrons shop the store only once or twice a month and can't stock up on perishable items. Also, commercial produce sales figures include such things as house plants, fertilizer, birdseed, etc. that commissary produce departments don't carry.

But the challenge to improve commissary produce sales remains, and individual produce managers are the key factor. The recent "renaissance" of the commercial produce department is largely due to individual produce managers, according to a *Progressive Grocer* report. "There's no question about it. The produce manager is the guy who makes our produce work," said Al Brock, produce buyer for the Publix chain in Florida.



NAVRESSO'S San Diego produce department, after being re-set under Bob Ford's supervision, looks neat and full. Produce is arranged in eye-catching vertical bands, using the color contrast principle. *Photo by Bob Ford.*

Both AFCOMS and NAVRESSO have full-time headquarters based produce specialists dedicated to improving store produce layouts and upgrading produce department efficiency. TSA does not have a headquarters based produce specialist but includes produce training in its Middle Management Training Program. All three services recognize that too high a degree of carelessness has existed in commissary produce departments in the past, and all three have made important strides in removing that problem.

Back To School

NAVRESSO's produce specialist, Bob Ford, has developed a special one-day workshop class on produce department operations and is presenting it in each of NAVRESSO's ConUS regions. *(See October, 1980 MILITARY MARKET.)* So far, workshops have been held in Seattle, Norfolk, Annapolis, and San Diego. Workshops scheduled for the near future will be held at the Corpus Christi region (February), Pensacola region (late February), and Rhode Island region (March).

Ford's presentations begin with a discussion of physical layout principles, such as those of color contrast, rotation, commodity grouping, signing, and effective use of mirrors. *(Editor's Note: See page 33 for further discussion of these techniques.)* Ford also discusses space allocation with reference to tonnage and dollar sales, the factor of seasonality, and pricing ideas. The second half of his workshop is devoted to merchandise receipt, freshness control, and general produce department productivity.

NAVRESSO's new Order Control form, introduced by Ford at his model Produce Workshop in Orlando this past August is now being used in all NAVRESSO produce departments. Initial reports

PAYS OFF

Military Produce Sales Rising
(all figures expressed as percentages of total store sales.)

	FY '75	'76	'77*	'78	'79
Army	4.2	4.3	4.4	4.4	4.3
Air Force	4.1	4.2	4.3	4.5	4.4
Navy	4.9	5.0	5.2	5.3	5.3
Marine Corps	4.9	5.1	5.4	5.5	5.4

*Excludes the 197(T) transition quarter, July 1 to September 30, 1976
Source: Research Department, Army Times Publishing Co.

ALL FOUR services have gradually increased their produce sales percentages over the past five years, as the above figures show. 1979 seems to have been a particularly bad year for produce across the board, with three of the four services reporting declines in produce sales. That decline should be turning around soon or may have already done so.

The Navy and Marine Corps commissaries have consistently reported higher produce sales percentages than either AFCOMS or TSA. It has been argued that since Navy and Marine Corps stores don't sell cigarettes, this effectively depresses their total grocery sales and accordingly raises their produce figures.

All four services see a potential for greatly increased produce sales in the future. AFCOMS, for example, is shooting for seven to eight percent of store sales.

are that the new form, which is designed to keep better track of what is in stock and what needs reordering, is working out very successfully.

NAVRESSO also recently instituted a policy of running two produce "specials" every week. The cost of the promotions is covered by a one percent general mark-up. Ford is attempting to negotiate with DPSC a way of purchasing whole carlots at reduced prices, thus enabling specials to be run without the need for the one percent mark-up.

AFCOMS' Longer Version

Fred Arias, Ford's counterpart at AFCOMS, has been running produce workshops at the store level since AFCOMS' inception in 1976. While Ford prefers the compactness of a one-day seminar, Arias' more extensive workshops last two and a half days.

Arias stresses product identification and the characteristics of different produce items as well as their seasonality. He also discusses produce layout, making orders, receiving and warehousing.

Both Ford and Arias make use of slide quizzes as a tool for helping produce employees assess their knowledge of produce. Identifying more than a hundred different kinds of produce usually turns out to be much harder than most participants think. Ford and Arias also feature re-sets of the host store's produce department in order to show how the principles taught in the classroom are actually put into practice.

In his workshops Arias also includes items such as talks with both the local DPSC Defense Subsistence Officer (DSO) and the store's chief veterinarian. These sessions give the store personnel a chance to sound off about the problems they've encountered, but they also give DPSC and the vets a chance to voice their own problems and perspectives. Arias reports that the whole set-up makes for better communications all around. Vets, DSOs, and produce managers all learn to deal more effectively and more sympathetically with each other.

"For number of line items, I would say 80 selections is the minimum for a good produce operation," says Arias. "90 to 100 is

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Produce Merchandising

(Continued From Page 31)

doing very well." When Arias started working for AFCOMS some stores carried as few as 60 line items. Now most carry over 90. The greater the number of line items, the higher the sales volume is a tried-and-true rule of thumb. In AFCOMS, Hickam AFB in Hawaii, the store with the highest produce sales volume, carries 150 produce line items.

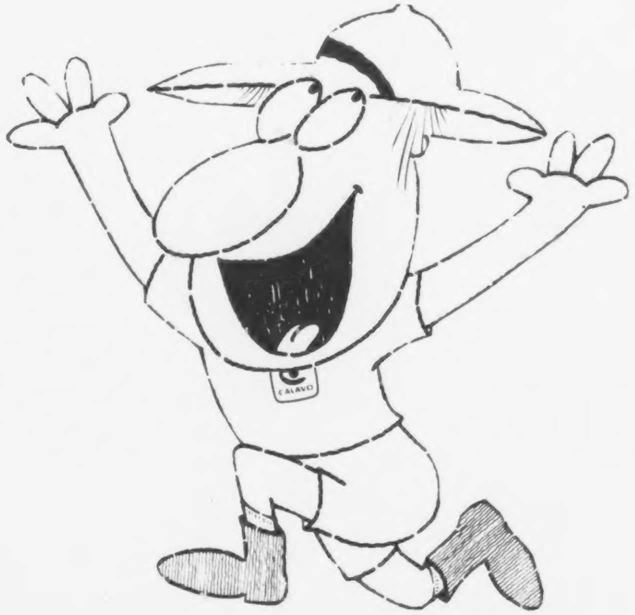
NAVRESSO is likewise in the process of adding more line items in its larger stores. Some may reach Hickam's 150 mark.

"Some stores that have been involved in produce workshops are enjoying a 20 to 30 percent increase in produce sales, mainly due to better presentation and selection of fresh fruit and vegetables," according to Ford.

In AFCOMS, Arias says that current efforts should "revolutionize" the produce department. As well as reducing the amount of prepackaging it does and buying produce more and more by the carlot (instead of off the terminal market), AFCOMS is also currently installing electronic scales for produce at the front ends of all its ConUS stores. The electronic scales will eliminate the need for produce to be individually wrapped and priced and will also free cashiers from having to memorize prices. With the new scales, each produce shipment can be sold as is and its price can more accurately reflect the store's actual cost.

It's Alive

A number of factors combine to make produce department management a crucial factor for total departmental sales. Unlike canned or dry packaged food, produce is alive, perishable, and needs specialized, knowledgeable treatment. Furthermore, requirements vary considerably among different kinds of produce. How the produce display is set up in each store is almost as important as the actual quality of the product. It is all too easy for a produce display to look very unappealing —even when all the merchandise is in good condition.



CREATIVE POP material is one way of catching the customer's attention. This gleeful character, designed by Calavo Growers of California to publicize 1980's bumper avocado crop, is one of the more amusing examples.

On top of that produce is a genuine high impulse area. Whether the layout looks good or not is crucial for sales. After all, the major attribute of fresh produce is its freshness. If it doesn't *look* fresh, it defeats its purpose. But on the other hand, if it looks exceptionally fresh, it can be almost irresistable.

A recent consumer survey presented by Alice Gruber of Purity Supreme, Inc. highlights some major trends in fresh produce buying habits. The survey began by asking what kind of fruit consumers usually buy, or buy most often. An overwhelming 89 percent said they pick fresh. For vegetables, 69 percent said they buy fresh. This means that the overwhelming majority of shoppers entering a store have fresh fruits and vegetables on their minds.

While slightly more than half the surveyed shoppers have been buying the same amount of produce as they did last year, 36 percent said they are buying more. Only eight percent said they are buying less. Gruber attributed the shift in favor of produce to the current trend that has placed a heavy emphasis on nutrition, diet, fitness, and health. Produce is viewed as a fresh, natural product free of harmful additives and pereservatives, a welcome alternative to processed foods.

The shoppers were asked to list the three most important reasons why they buy fresh produce. The two most popular reasons were that fresh produce "tastes better" and is "more nutritious." The third favorite reason was "no additives." Of those buying less produce the major reason was "high prices."

The Purity Supreme survey also asked shoppers to suggest the two most important changes they would like to see and the two things supermarkets can do to help shoppers make the most of their produce dollars.

The strongest response to the improvements question (59 percent) was that more produce should be sold loose. Consumers apparently have such a strong desire to "pick and choose" their produce that it overrides any advantages prepackaging may have in terms of ease and efficien-

HORN of plenty look results from packing these cabbages right up against the display case's mirror back. Customers are attracted to the display because they associate freshness with abundance.

cy of handling and reduction in damage. Other areas of improvement cited by consumers included "better quality" (35 percent), "smaller packages" (35 percent), and "greater variety" (24 percent).

To help consumers make more of their produce dollars, stores were urged to offer more and different kinds of produce information. In this area, nutritional "labelling" is a recent, much praised innovation. So far, potatoes and almonds are the two commodities that have been approved by the Food and Drug Administration for nutritional labelling. Whether offered in leaflets, signing, tear-off pads, or whatever form, the FDA-approved information offers consumers precise data on how nutritious produce really is. The Potato Board points out that this is especially valuable for an item like the potato, which has a reputation for being fattening though it actually contains no fat at all and is very nutritious.

Tactics To Entice

Planning an enticing produce layout requires a good deal of shrewdness and cunning. First, specially advertised items and high volume items, such as potatoes, bananas, lettuce, tomatoes, and apples, should be evenly spaced across the entire produce layout in order to draw the customer to shop the whole department.

Also, produce should be arranged in neat, vertical bands, which are the most effective in catching and slowing down the consumer's eye as she scans the display cases. For the mirror-backed display cases to be most effective, the items should be piled right up against the mirrors. This will create the inviting "horn of plenty" look that adds to the impression of freshness and quality.

Root and stalk vegetables, such as carrots, celery, etc., should be laid out horizontally; this gives an impression of fullness and makes this kind of produce easier to handle for the customer.

One of the most important principles of produce layout is that of color contrast. As much as possible, produce should be arranged in vertical ribbons of contrasting colors. Red apples nestled between yellow pears and lemons will make the apples look redder and the pears and lemons look more yellow. Putting the pears and lemons next to each other, on the other hand, will accent any greenish tinges or off-coloring in both items. Similarly, displays with too many green vegetables lumped together have no great visual appeal. Particular items can get lost in a sea of green and end up inhibiting sales.

Behind The Scenes

Of course, running a good produce department doesn't stop at only those aspects the customer can see. Back at the loading dock, merchandise must be received intelligently and stored so as to effectively maintain its freshness. Ford lists seven tips for more efficient merchandise receipt.

- *Be Prepared* Rotate existing stock forward in the cooler. Consolidate and make room for incoming merchandise. Clean cooler and storage area on the day prior to delivery.

- *Program the Storage Area* Have designated areas in the cooler and storage area for each fresh fruit and vegetable. Segregate items so as to minimize the amount of handling.

- *Minimize Number of Orders* Make intelligent orders to avoid overstocking the storage area. It costs time and money to make and receive orders.

- *Store Quickly* Segregate produce as it comes off the truck into cooler and non-cooler stock. Merchandise requiring refrigeration should be placed in the cooler promptly.

- *Inspect All Merchandise* Inspect upon arrival. Immediately follow through on all questionable merchandise in accordance with receiving policies. Count and check all merchandise in regard to piece count, quality, and code date.

- *Protect Merchandise in Storage* Keep highly perishable items, especially repack items, covered in the cooler. Watch for drafts and cold temperature on items such as bananas and sweet potatoes.

- *Finalize Receiving* Count all incoming and outgoing containers. Sign bills and update records. Finally, make sure exits are locked and security policies well maintained.

"Freshness control is the number one objective of the produce manager," says Ford. "Freshness is a continuing effort and demands foresight and planning. A produce department, bursting with freshness, will give the whole store character, and therefore commissary produce departments hold the promise for a much better all around perception of the system by their patrons." (MM)

Lawn and Garden Supplies

Green Light

By Susanne D. Williams

Spiraling food cost and a stronger trend toward home improvement are two of the factors contributing to a growing interest in consumer lawn and garden care. This development bodes well for exchange lawn and garden centers which (despite rising costs, tightened inventory and seasonal unpredictabilities) have managed to stay well ahead of inflation.

LEAVE IT to Mother Nature to turn homeowners's dreams of lush lawns, towering trees and fragrant flowers into nightmares.

Under her constant onslaught, the lawns that were intended to be lush often become brown and spotty, the towering trees stay dwarfy and the fragrance of flowers is nipped in the bud.

To keep the original dream of horticultural beauty alive, homeowners do not have much choice but to counterattack. Armed with pesticides, shears, fertilizers, and other garden paraphernalia they dedicate some of their spare time between spring and fall to undo what Mother Nature did and to outwit her in the process.

Although the process is laborious, repetitious and often exasperating, more and more homeowners and dwellers have become ardent gardeners over the years, sales figures of garden-related merchandise show. The reasons often vary: some people just like to unwind from workaday activities and look upon the fingernail-blackening toil as a therapeutic endeavor. Others attach dollar and cent figures to beautiful gardens and consider their outdoor work a home improvement or real estate investment. Others still just like to look at something pretty, especially since the restrictive national economy tends to make more people home-bound. And talking about the economy: More and more people are convinced that growing one's own fruits and vegetables is a sure hedge against escalating food prices.

A Gallup study, for instance, has found that more than 43 percent of the 34 million households in the U.S. produced some or all of their vegetables. These figures, based on a average backyard size of 750 square feet and an average 772 pound yield of fresh vegetables valued at $497 retail, translate into a multi-billion dollar figure for homegrown food production in 1981.

"There is a correlation there [between gardening and the economy]", Michael McClain, AAFES hardlines merchandising specialist, told MILITARY MARKET. That correlation, research shows, was particularly strong in 1974/5 when the economy was flat and gardening business booming.

A Growing Area

A similar relationship can be expected for the present where the rekindled interest in gardening is becoming a positive feature in the otherwise bleak economic picture.

Gardening, after all, encompasses quite a number of frequently mentioned recession-type consequences — a return to home entertaining, the search for substitutions to fight spiraling prices and requests for better value-dollar ratios in purchases. As such, gardening has become a growing area as a direct result of the economy.

It is also a growing area thanks to the versatility of garden tasks. Fighting Mother Nature's sneaky ways takes more than just a shovel, as most first-time gardeners will soon find out. While basic gardening will require hoses, lawn-mowers, pesticides, rakes, fertilizers and a host of other tools, more advanced gardening requires more — and better — of such equipment. And for those who would like to enjoy the fruits of their horticultural labor amidst beautified surroundings, outdoor grills and patio furniture are a must.

These two growth factors — the effect of the economy as well as the versatility of gardening products — are good tiding for manufacturers and retailers of garden equipment, including exchange lawn and garden stores.

"We seem to be growing each year," McClain said, adding that the prime rate (responsible for the rate of money available to retailers to purchase merchandise) is one of the factors keeping a double-digit growth rate of garden sales in check.

Things look similar for NAVRESSO exchanges, which had "very, very nice increases saleswise," as NAVRESSO garden specialist Jerry Green told MILITARY MARKET. Considering the unfavorable prime rate, however, some caution is also commendable for Navy stores. "We try to provide stores with a better product mix, rather than adding items," Green said. After all, "one can oversort and one can overbuy."

Powerful (Sales) Tools

To avoid this kind of situation, both exchange services stay with solid basics, but with overtones toward better, more sophisticated merchandise.

Sophistication is particularly notable in powered tools, more specifically in lawn mowers. While push mowers are still in existence and still sell — "They'll never disappear", Green said — power lawn mowers are the strongest, fastest growing and most competitive category of lawn and garden store sales.

Mulching mowers, which suck cut grass blades into a chamber within the mower, chop them into confetti-size pieces and drop them back on the lawn as fertilizer, are "holding their own," AAFES McClain said. "They are carving a pretty good place for themselves.

Part of the customer appeal of mulching mowers also lies in the fact that these machines can now bag clippings in addition to their mulching function. Mulchers are also a slightly growing category for Navy stores, which have been carrying them for the last three years, Green said.

A new feature in lawn mowers will be safety clutches. These are required by the Consumer Protection Safety Commission for all power mowers made after January 1982. Current mowers will stop now if they hit an object that they are not supoosed to cut, but the blades will continue to rotate. The safety clutch, on the other hand, will stop the blades from turning and thus increase safety for mower operators. "That [safety requirement] is a big thing that's coming down the pike," Green noted. Not only does it force manufacturers to redesign the machines, it also might add a hefty $25 to $40 to the production cost — and thus to the retail price ticket.

The anticipated price increase may prompt some customers to purchase their mowers before the safety clutch becomes mandatory and prices for the already high-ticket product go up, Green said.

General industry forecasts, on the other hand, predict a slow year for power mowers. According to an outlook provided by the Outdoor Power Equipment Institute, unit shipments for walk-behind mowers in 1981 will drop five percent; for lawn tractors and riding mowers 8.5 percent, and garden tractors 10 percent. These predictions, however, were made before the economy took a turn to the worse in spring of 1980 and could actually still be too optimistic.

The same uncertain sales picture also emerges for air blowers one of the newer products in lawn and garden equipment. While some retailers have welcomed this all-year-around tool that blows away unwanted objects from driveways, steps and lawns, and retails for anywhere between $30 and $100, AAFES' McClain is still cautious. "We are watching this item," he said. "But we are not too sure how successful it will be." Many people question the functional value of air blowers, he told MILITARY MARKET, although additional attachments, converting the blower into a small vacuum cleaner, may change their attitude.

NAVRESSO buyer Green, on the other hand, welcomes the blower

(Continued On Page 38)

AAFES GARDEN SUPPLY SALES FIGURES

(projected for FY 1981)

Chemicals/fertilizers	$ 11,000,000
Lawn mowers	$ 90,000,000
Lawn mower accessories	$ 500,000
Power equipment	$ 3,750,000
Chain saws	$ 4,500,000
Bug traps and accessories	$ 300,000
Non-powered equipment	$ 725,000
Watering devices	$ 4,000,000
Patio furniture	$ 8,500,000
Outdoor cooking	$ 6,000,000

Lawn and Garden Equipment

POWER LAWN mowers are gaining in popularity and are some of the fastest growing items in exchange lawn and garden stores. Nationwide industry figures, however, indicate a slight drop in 1980 unit shipments over 1979. The 28-inch model (ABOVE) is by Jacobsen.

ALTHOUGH ELECTRIC string trimmers are enjoying stable sales, gas powered trimmers show good growth potential, industry sources predict. The model (ABOVE) is by Homelite.

(Continued From Page 37)

more enthusiastically. "Air blowers will be the coming stars in the next season," he said, adding that they will receive heavy promotions.

There is greater consensus with regard to cordless tools, which both McClain and Green do not see as a formidable growth area. "They don't have too much popularity," Green said. "People have to recharge them and don't find them too practical." McClain thinks that cordless tools may be on the decline. "They haven't set the world on fire," he said. Some of them just don't have the same power as their with-cord counterparts and also suffer more frequently from breakdowns.

Both exchange systems also agree on the sales of outdoor plants, which were authorized last year. NAVRESSO experienced "tremendous growth, in excess of $1 to $2 million," while live plants have been "well received" in many AAFES stores. Both systems, however, depend on local nurseries for supplies and neither system is currently planning on actively going into the nursery business. "We'd have to learn a lot before we can get into it," McClain said. Lawn and garden stores will also not carry indoor plants, a function that is usually left to concessionaires or exchanges per se.

Upward Trends

Overall, McClain and Green agreed that customers are seeking newer and better equipment and are often willing to spend the extra dollars for what they perceive to be a better value. This seems to be particulary true for outdoor grills and lawn furniture. AAFES currently does $6 million business in outdoor cooking alone and another $8 to $9 million in garden furniture. "People want better quality," McClain said. They also have become more fashion-conscious and expect furniture design and materials used for cushions and umbrellas to be stylish.

McClain also sees a "big growth in wrought iron," as well as a general trend toward better, more durable goods, but adds that the merchandise is still in the popular price range. "We don't even approach the prices in the market place," he said, where high fashion chairs often retail for $80 to $90. (AAFES' most expensive chair currently costs $45 at the exchange retail level.)

NAVRESSO has also moved to higher price points in furniture, with emphasis on redwood and wrought iron.

The emphasis on better merchandise is particularly obvious in outdoor cooking equipment. AAFES' most expensive gas grills, retailing for $180 and $239 respectively, are the top outdoor cooking sellers in spite of the category's wide spread in price.

Gas grills in general are the fastest growing category for both retail systems: They provide more even temperatures and control heat much better than charcoal grills, which are on the decline. Yet, aluminum grills are still good sellers for AAFES, especially among younger customers, although these types of grills are "almost consumable products," McClain said. They burn out faster, are subject to rust and usually have a limited lifespan of three to four years.

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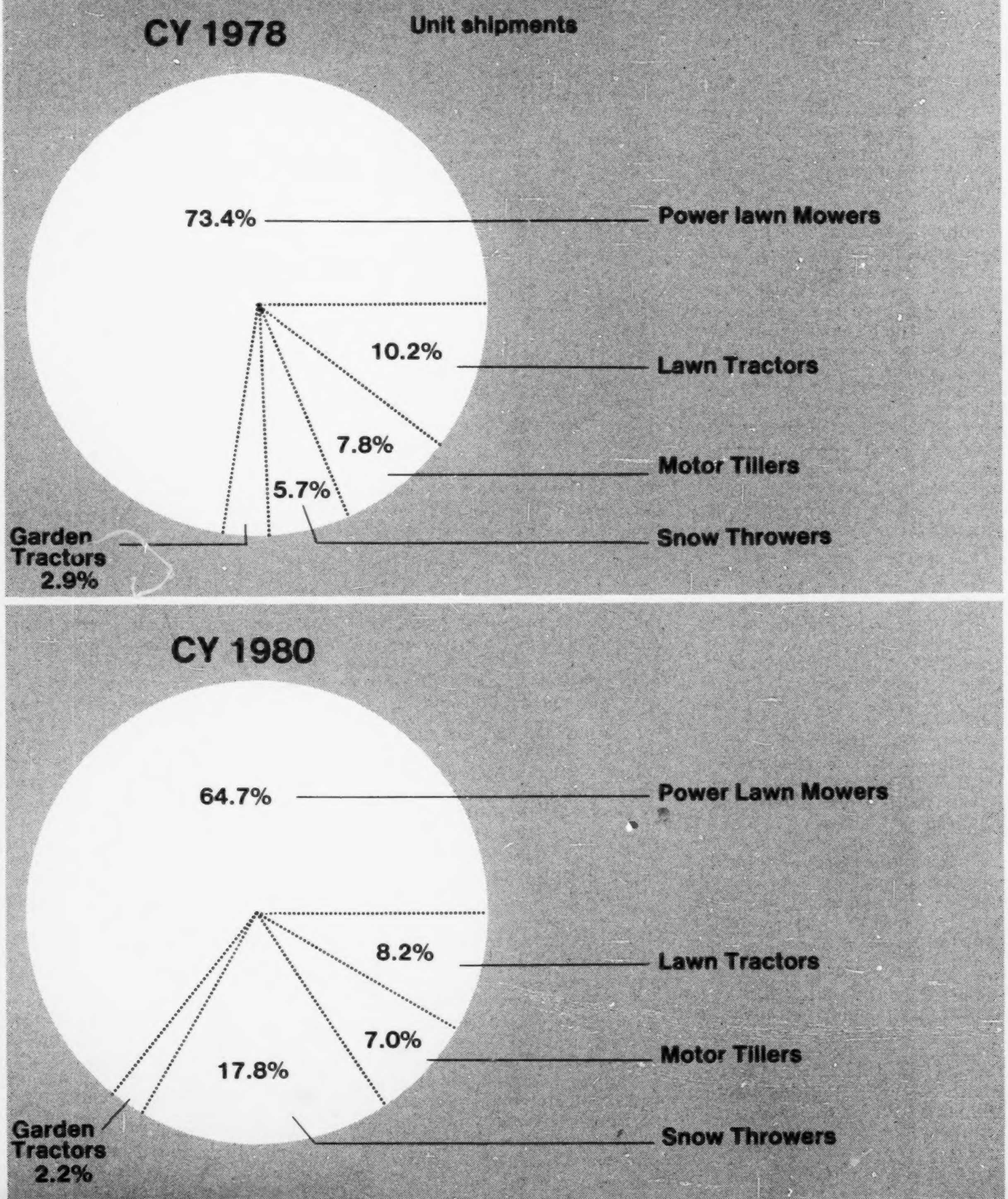

INDUSTRY FIGURES FOR GARDEN POWER TOOLS

SOURCE: Outdoor Power Equipment Institute

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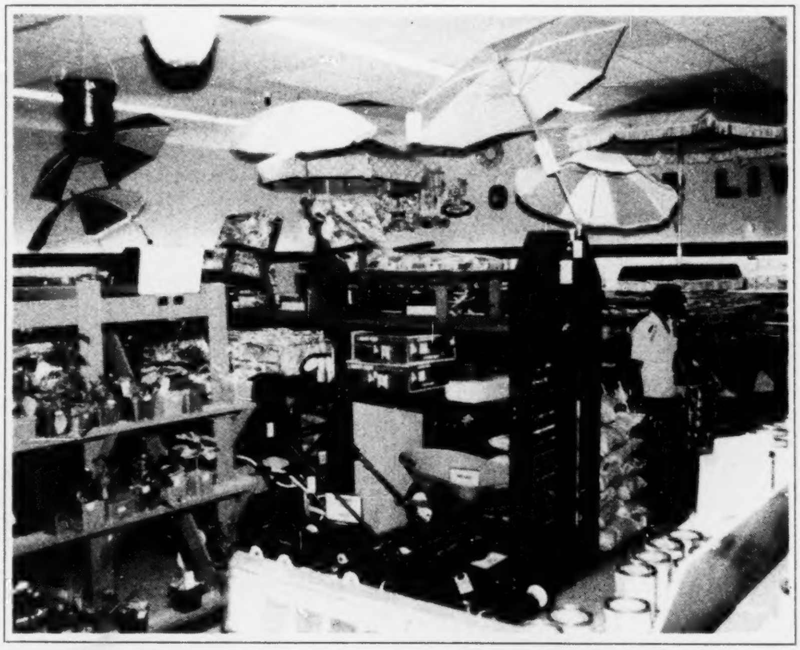
Lawn and Garden Equipment

(Continued From Page 39)

Another option for people incapable or unwilling to invest in major gas grills are hibachis, ideal cooking elements for apartment dwellers and picnic lovers. AAFES now has "completely gotten away from imported hibachis" and sticks with an American product that is "nicely styled and packaged."

Although it seems that apartment dwellers would be an insignificant customer group for exchange lawn and garden stores, they still contribute to sales of outdoor cooking products, patio furniture — and smaller items like potting soil, flower boxes and planters. The majority of customers, however, are knowledgeable gardeners, often second time buyers, who have carefully compared prices of equipment in hardware stores, home centers and catalogs with those in the exchanges. These people, often retired, are so knowledgeable about products that store personnel often end up learning from them, one garden store manager in a Washington, D.C. area exchange, told MILITARY MARKET.



FROM GARDEN furniture to live plants, exchange lawn and garden centers carry a wide spectrum of outdoor living products. Multi-hued umbrellas add a colorful touch to the Hawaiian Area Excahange's lawn and garden department (ABOVE).

Education Important

The fact is not surprising considering that, because of their seasonal nature, in some parts of the country many lawn and garden stores are often linked with other departments — and consequently also share personnel. These people sometimes do not have an answer to all the questions avid gardeners can pose. But fortunately, most pesticides, fertilizers and seed manufacturers put detailed explanations on their product containers, including warning labels, storage advice, planting times and other information pertinent to growing plants and keeping them alive.

Furthermore, reps of major companies provide store personnel with additional information, hold demonstrations in stores and have also made their services available to the outdoor living seminars AAFES is now holding annually in all five regions of the country. While such seminars were previously held by regions, AAFES headquarters has now taken over the task. These seminars are not only helpful to the managers, assistant managers, supervisors and senior sales personnel who are invited, but also help vendors to get acquainted with AAFES, McClain said.

NAVRESSO has not come up with a similar concept as yet. Information dissemination is left to the stores and to vendors, Green told MILITARY MARKET. Although education is important, he said, NAVRESSO has never put a formal program together. "It's only . . . shall I say . . . me," he admitted.

NAVRESSO headquarters, however, buys only part of the total merchandise mix found in lawn and garden stores and leaves a lot of buying to individual stores. Yet it does provide them with guidance on what to buy and in which quantities, based on size and location of the individual store. This is particularly important for the winter months when inventories are minimized.

But Mother Nature's whimsical tricks can even play havoc with the best planning. Droughts, rainy seasons, too much or too little snow can lead to overstock which exchanges try to return to the manufacturers. If that does not work, the merchandise is marked down — or kept for next year's season (which will inevitably bring new price increases and may make last year's merchandise a good buy.)

Some products, however, are perennial in nature. Chain saws and garden grills, for instance, are not only strong sellers during promotional months and Father's Day; they also sell well as Christmas presents. And even more mundane products sometimes experience unseasonal popularity. A Washington, D.C. area exchange, for instance, reported that sales of hoses were brisk during December, due to the season's uncommonly mild and dry climate . . .

Mother Nature, it seems, does not only make the life of gardeners difficult; she also poses some interesting challenges to retailers of lawn and garden equipment.

Canned and Powdered Juices and Drinks

Sugar and Spice Are Not Always Nice

By John A. de Ferrari

Americans are demanding simpler and more flavorful juice drinks. Added sugar and other ingredients are being shunned like the plague. So far, apple juice has been the one thing to suit most people's tastes, but the category is still expanding, and the future may promise a significantly higher consumption of all non-carbonated juices and drinks.

BY NOW IT'S well-established that Americans are insisting the food they eat be healthier, simpler, and more "natural." Everything from cereals to tuna fish has been feeling the pressure to clean up its act and reflect the growing trend. The canned and powdered juices and drinks category is no exception. In fact, over the past couple of years the consumption of juices and drinks seems to have changed more radically than many other food categories.

POWDERED JUICES have probably changed the most, rising rapidly to a tonnage sales peak about a year ago, but falling off ever since. Powdered drinks were originally sold in packets, and the pitch was toward children — something quick, cheap, and even fun to mix up. Then, in the mid-'70s, the market began to rapidly expand. Lemonade, the major factor, began to be aimed at adults as well as children, and the product began to be sold more and more in canisters instead of paper packets.

Convenience and economy were the determining factors in powdered lemonade's explosive growth, several industry sources told MILITARY MARKET. A canister of powdered lemonade offered consumers economy in terms of price as well as compactness and ease of preparation. But these features are beginning to lose their impact.

"Powdered juices have leveled off considerably in the last year," said Ken Brownlee, Military Sales Manager for **Welch Foods, Inc.** "The trouble is that none of them contain actual fruit." The customer has apparently decided that fresher products are worth the added effort and expense after all.

Just as importantly, however, that "added expense" is getting less and less as the cost of sugar drives the price of powdered drinks up. Powdered juices generally contain the most added refined sugar (or require the customer to add it) but almost all canned fruit juices contain some as well. One MSM projected that the fluctuations of the sugar market will be the single most important factor in the fruit juice market for the coming year.

In general, *CANNED FRUIT JUICES* (as opposed to powdered) have been gaining ground in unit sales volume in recent years. A significant number of people are turning away from carbonated sodas and other high sugar content drinks that have acquired a reputation for junkiness. The alternative is usually fruit juices, which often make a point of being vitamin-enriched. One source told MILITARY MARKET that the industry is receiving more and more requests from bottlers for fruit juices to put in vending machines to meet the growing demand for this alternative. Also, many school districts are now requiring that fruit juices be available in school vending machines. This will gradually lead to a greater consumer familiarity with canned fruit juices and higher commissary sales.

An American Favorite

APPLE JUICE has risen as the overwhelming choice for a natural and nutritious fruit juice drink. Apple juice sales continued to climb in 1980, and the end is not yet in sight.

A number of explanations have been offered to explain apple juice's striking gain in popularity. "Apple has always been a particular American favorite — like apple pie," one MSM told MILITARY MARKET. Another important reason is that apple juice is considerably less acidic than orange juice, a boon to those who are bothered by citric acids, said another MSM. The unique characteristics of the apple juice market may be another reason for the special consumer attractiveness.

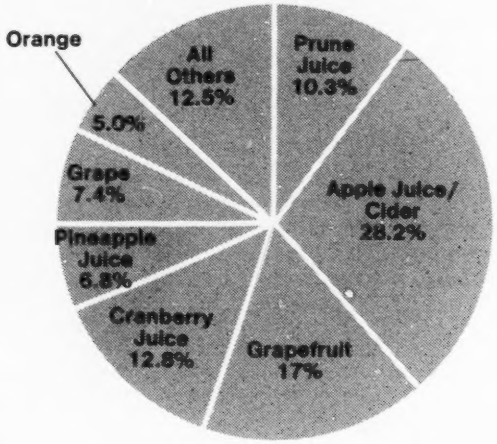
"Apple juice is a highly competitive market," said Hank Forest of **Old Virginia, Inc.**

JUICE AND DRINK SALES IN COMMISSARIES WORLDWIDE, CY 1979*

$47,962,100 (1.3 Percent of All Sales)

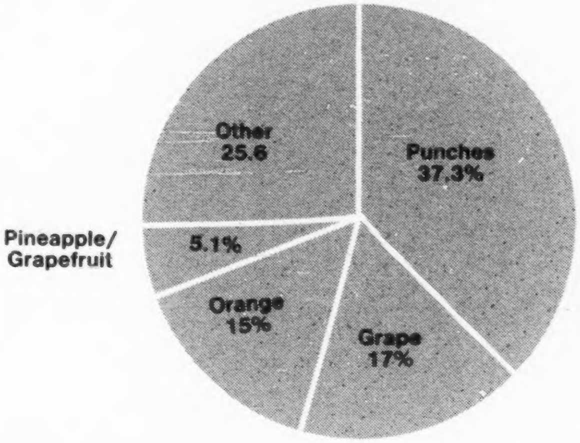
CANNED FRUIT JUICES

$26,505,400



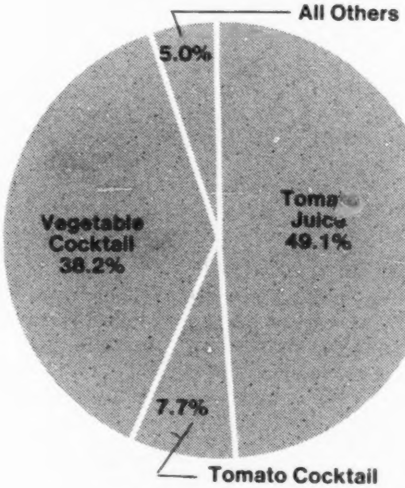
FRUIT FLAVORED DRINKS

$14,199,300



CANNED VEGETABLE JUICES

$7,257,400



*Does not include Powdered Drinks ($2,524,300) or Canned and Dry Milk ($11,990,600).

Source: Research Department, Army Times Publishing Co.

"There are so many different brands of apple juice, and they're all very regionalized." Many different areas of the country produce apples, and local producers can bottle and sell a high quality local product for less than it costs to ship a more nationalized brand. And consumers associate a local brand with greater freshness and naturalness.

Forest explained that the heavy weight of apple juice means that freight shipping costs are tremendous. "You're really shipping around a lot of water and glass," Forest said, "and that's what's expensive."

Larger manufacturers are beginning to produce apple juice made from concentrate in order to minimize shipping expenses. Forest said tests have shown there's not much difference in taste between pure apple juice and juice made from concentrate. However manufacturers are required to state on the label that the juice is made from concentrate if it is, and this may well have a negative psychological impact on shoppers, who will associate the concentrate-made juice with a lower quality product.

All of this is not to say that none of the other fruit juices have been growing in popularity. *CRANBERRY JUICE*, for example, is another type that has broadened its patronage considerably in the last year or two. The type of people who are attracted to the product is gradually changing. "There used to be a profile of 50 years and up for the typical cranberry juice drinker," Brownlee of Welch, Inc.

(Continued On Page 44)

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Canned and Powdered Juices and Drinks

(Continued From Page 43)

said. "Now the heavy users begin at age 35."

Welch has been spurred by the success of its strawberry flavor soft drink to offer a new strawberry Welchade. Although the flavoring is artificial, the drink has met with considerable success and already is the number two selling Welchade flavor.

Probably the poorest performer in the category is *CANNED ORANGE JUICE*, which holds about five percent of the canned fruit juice market in the military. Sales have stayed rather flat over the past year. However the excellent supply situation due to the carryover from last year's record crop has forced price levels down to a very attractive level. If this year's Florida orange crop makes it through the critical freeze period (December 1 to February 1) without damage there could be even further price cuts, according to Roy Smith of **Citrus Central, Inc.**

Poor Publicity

VEGETABLE JUICE, which has the same claim to nutrition and naturalness as fruit juice, has as yet not risen in popularity in the same way as fruit juices have. The key factor is doubtless that of sugar. Americans have developed too strong a habit of drinking sweet-tasting drinks, and the only way to overcome this prejudice is through effective advertising.

The leader in the vegetable juice category has for a long time been **Campbell Soup Company**'s V-8 Vegetable Juice. A company spokesman told MILITARY MARKET the product continues to do very well. "Every year is bigger and better." A lot of the product's success has been attributed to the introduction of the single serving six-pack, which eliminates the need to store half-emptied cans that easily acquire a bad taste in the refrigerator. For that matter, six-packs of all types of canned juices are meeting with increasing consumer acceptance, according to industry sources.

Campbell's has widened the V-8 product line recently to include a "spicy hot" variety, which is said to be ideal for Bloody Marys, as well as a Clam variety. Both new varieties have been selling well in commissaries. Advertising on the V-8 line will continue strongly in the coming year, according to MILITARY MARKET's source.

Campbell's is also currently testing a 32 ounce bottled version of V-8. The bottled drink is being offered in response to a perceived tendency among housewives to prefer vegetable juice in glass jars, which are more easily sealable and less likely to affect the taste of the product inside.

TOMATO JUICE, the only other major element in the vegetable juice category, continues to slip in popularity. All the major packers, including **Libby's**, Campbell, and **Del Monte**, are experiencing stagnating or dropping unit sales rates, while private labels and generics are gradually growing.

A spokesman for **California Canners and Growers** pinpointed the problem with tomato juice in the fact that it receives virtually no promotion at all. Lack of advertising means consumers have no brand awareness. If they are interested at all in tomato juice, he told MILITARY MARKET, they will simply tend to grab the cheapest-priced items. Thus, pricing has been used as a way to sell tomato juice, and this has produced "erosion" of the category in general. Unit gains are made only at the expense of dollar losses. The solution to the problem was seen to be a vigorous promotional campaign along the lines of Campbell's successful advertisements for V-8, the spokesman said.

One important change in the tomato juice industry is that it will be moving towards more and more packing and shipping of juice concentrate instead of full-strength product. As is the case with apple juice, this is seen as one possible way of reducing out-of-control freight and shipping costs.

Throughout the canned fruit and vegetable juice industry, the real villain continues to be processing costs. The cost of labor, packing, and canning materials — as well as shipping costs — will keep prices climbing again this year as last. The cost of cans for a case of 46 ounce cans is reportedly up 60¢ this year over last, and processing costs are up another 30¢ per case. One MSM told MILITARY MARKET that the industry has reached the point where any extraordinarily good crop does not allow manufacturers to lower prices — though, of course, it does make the processed product more readily available. Ironically, the cost of the original raw ingredients that people drink is now only a minor factor in bringing a finished canned juice product to market. (MM)

Welchade
Welchade
APPLE DRINK
ARTIFICIALLY FLAVORED
Welchade
Welchade
Welchade

REFLECTING recent consumer taste trends, Welch Foods has expanded its Welchade line to include three new flavors — Lemonade, Apple, and Strawberry. The lemonade aims to capture shoppers disillusioned with powders, while the apple and strawberry flavors reflect rising consumption trends for these flavors.

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Military Market INDEX

COMMISSARIES

		OCTOBER			YEAR-TO-DATE		
		CY'80	CY'79	% CHANGE	CY'80	CY'79	% CHANGE
AIR FORCE	CONUS	$130,580	$108,257	+20.6	$1,174,805	$1,084,672	+8.3
	OVERSEAS	26,284	21,761	+20.8	240,764	211,972	+13.6
	TOTAL	156,864	30,018	+20.6	1,415,569	1,296,644	+9.2
ARMY	CONUS	95,992	81,848	+17.3	882,128	818,620	+7.8
	OVERSEAS	29,120	23,920	+21.7	273,000	240,946	+13.3
	TOTAL	125,112	105,768	+18.3	1,155,128	1,059,566	+9.0
NAVY	CONUS	50,937	43,563	+16.9	460,705	432,583	+6.5
	OVERSEAS	6,258	5,352	+16.9	56,494	51,439	+9.8
	TOTAL	57,195	48,915	+16.9	517,199	484,022	+6.8
MARINES	CONUS	10,513	8,764	+20.0	95,019	88,274	+7.6
	OVERSEAS	161	156	+3.2	1,508	1,499	+0.6
	TOTAL	10,674	8,920	+19.7	96,527	89,773	+7.5
COAST GUARD	CONUS	536	388	+38.1	4,570	4,099	+11.5
	OVERSEAS	69	132	-47.7	1,269	1,282	-1.0
	TOTAL	605	520	+16.4	5,839	5,381	+8.5
ALL COMMISSARIES	CONUS	288,558	242,820	+18.8	2,617,227	2,428,248	+7.8
	OVERSEAS	61,892	51,321	+20.6	573,035	507,138	+13.0
	TOTAL	$350,450	$294,141	+19.1	$3,190,262	$2,935,386	+8.7
GROCERY STORES	U.S.[1]	$18.384 bil.	$16.067 bil.	+14.4	$174.426 bil.	$156.791 bil.	+11.2

EXCHANGES

		OCTOBER			YEAR-TO-DATE		
		CY'80	CY'79	% CHANGE	CY'80	CY'79	% CHANGE
AAFES	CONUS	$189,662	$164,728	+15.1	$1,778,890	$1,576,581	+12.8
	OVERSEAS	137,764	121,128	+13.7	1,298,550	1,134,442	+14.5
	TOTAL	327,426	285,856	+14.5	3,077,440	2,711,023	+13.5
NAVY	CONUS[2]	86,038	78,154	+10.1	779,540	688,330	+13.2
	OVERSEAS[2]	30,484	29,001	+5.1	289,736	268,259	+8.0
	TOTAL[2]	116,522	107,155	+8.7	1,069,276	956,589	+11.8
MARINES	CONUS	26,186	22,350	+17.2	226,985	204,085	+11.2
	OVERSEAS	3,676	3,248	+13.2	34,039	29,961	+13.6
	TOTAL	29,862	25,598	+16.7	261,024	234,046	+11.5
COAST GUARD	CONUS[3]	5,073	4,623	+9.7	46,529	45,324	+2.7
	OVERSEAS[3]	639	583	+9.6	5,867	5,718	+2.6
	TOTAL[3]	5,712	5,206	+9.7	52,396	51,041	+2.6
MAIL ORDER	CONUS[4]	859	762	+12.7	7,046	6,310	+11.7
	OVERSEAS[4]	3,122	3,574	-12.6	30,384	32,620	-6.8
	TOTAL[4]	3,981	4,336	-8.2	37,430	38,930	-3.8
ALL EXCHANGES	CONUS	307,818	270,617	+13.8	2,838,990	2,520,630	+12.6
	OVERSEAS	175,685	157,534	+11.5	1,658,576	1,470,300	+12.8
	TOTAL	$483,503	$428,151	+12.9	$4,497,566	$3,991,629	+12.7
DEPARTMENT STORES	U.S.[1]	$8.245 bil.	$7.623 bil.	+8.2	$70.163 bil.	$65.830 bil.	+6.6

AAFES and Navy Exchange sales have been adjusted for 1980 and 1979 to reflect the breakout of mail order sales.

Individual figures may not add to totals, due to rounding. All sales are expressed in millions (add 000), except for grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges and exchange sales include concession volume.

[1] Source: U.S. Department of Commerce.

[2] Does not include sales of ship stores.

[3] MM estimate, based upon official data.

[4] Includes consolidated sales for all services, including Coast Guard. Data prior to July 1980 was extracted from respective AAFES and NAVRESSO mail order catalogs.

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Military Market

MAGAZINE FOR THE MILITARY RETAIL SYSTEM ARMY TIMES PUBLISHING COMPANY MARCH 1981 $1.00

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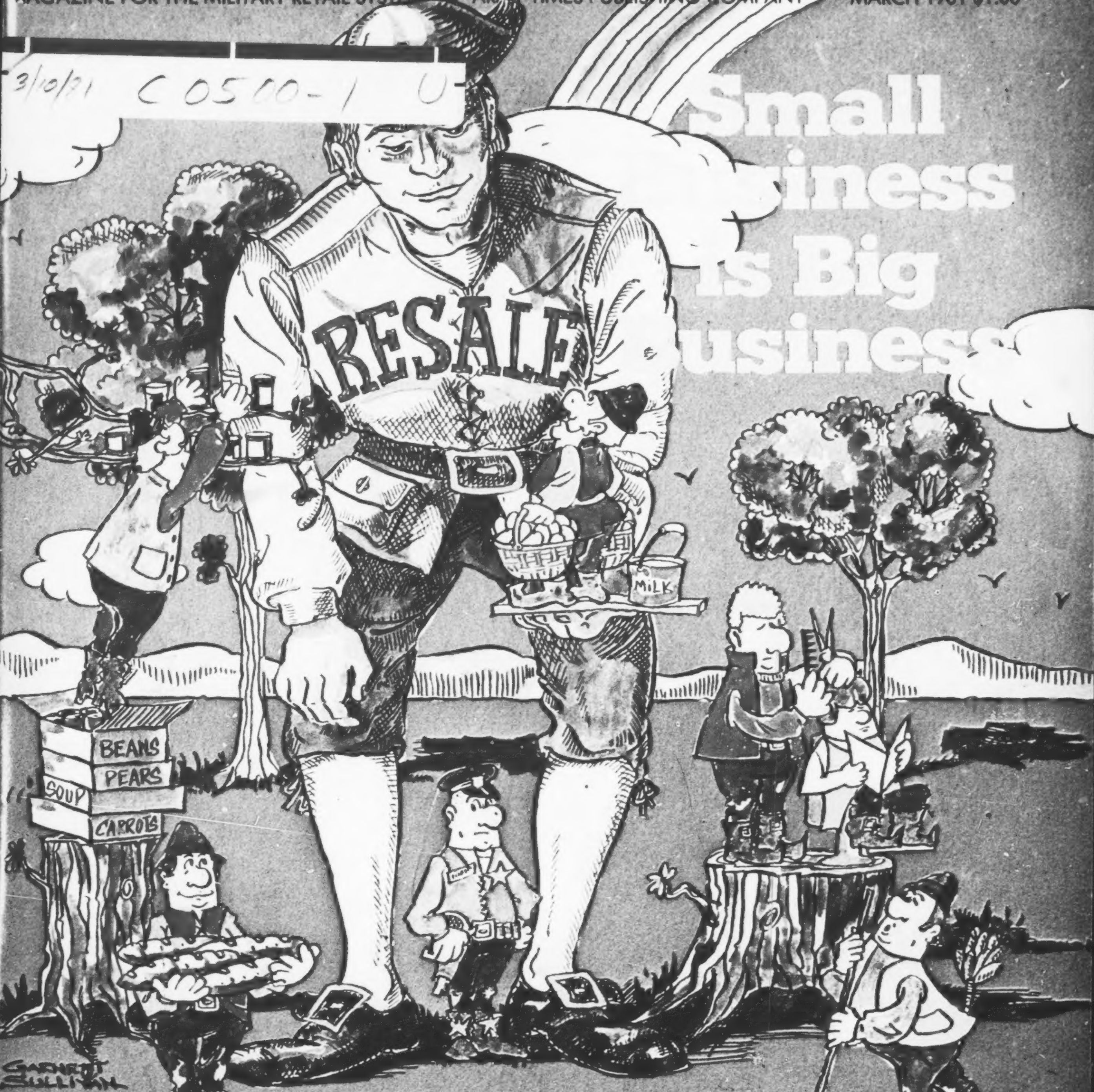
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Military Market
MAGAZINE FOR THE MILITARY RETAIL SYSTEM
ARMY TIMES PUBLISHING COMPANY
MARCH 1981
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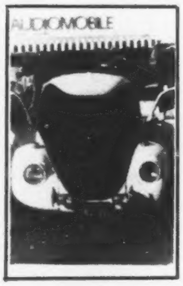

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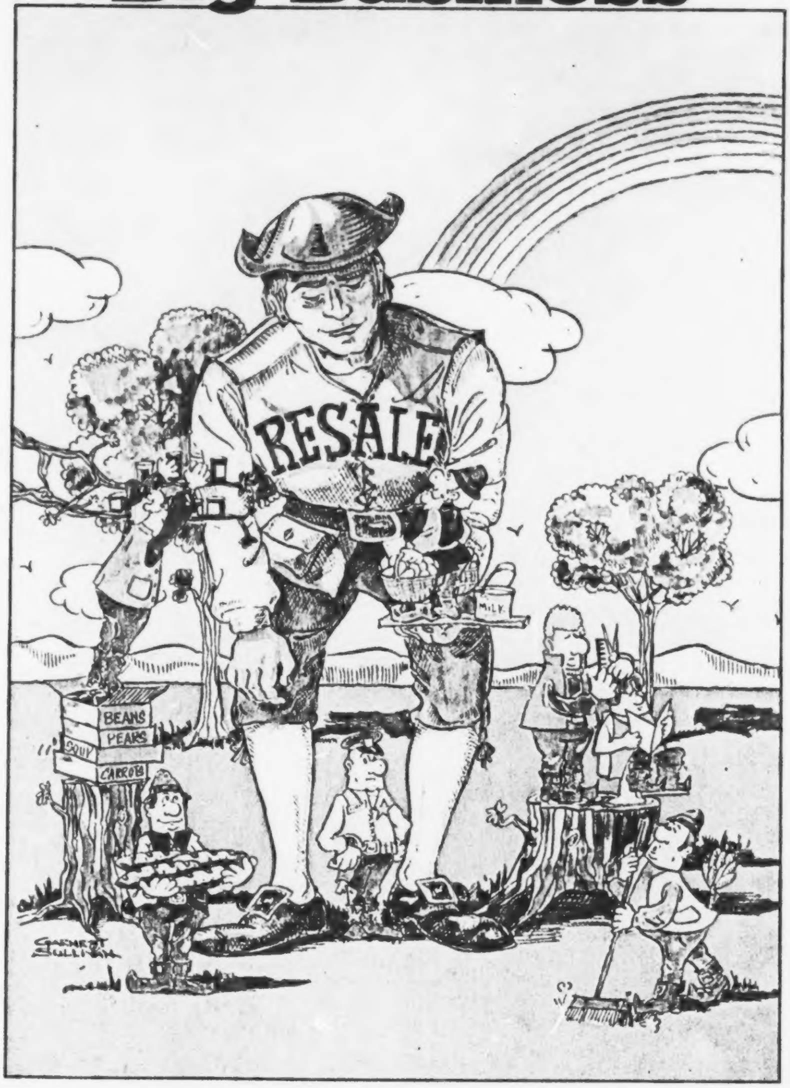
Small Business is Big Business



The military resale systems devote a good deal of time and attention to developing small and disadvantaged (minority) business sources. Procedures and regulations often get extremely complex, full of government red tape and bureaucracy. Some claim the effort is hardly worth the trouble, while others insist that much more has to be done, NOW! This month Military Market features a comprehensive look at what is being done for small and disadvantaged businesses in the military resale system, how well it is being done, and what more can be done in the future.

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Small Business

Targeting Programs at the

By

Donna J. O'Neal and John A. de Ferrari

IN GENERAL, Department of Defense small business programs have been targeted far more for the procurement of supplies such as guns and butter for the troops, than for services and items needed to run commissaries and exchanges.

Thus military resale small and disadvantaged business utilization specialists and procurement officers have had to develop some of their own methods for carrying out laws and mandates to promote small business development.

As MILITARY MARKET has discovered, there are success stories in this area. Slowly, word is trickling down through small and minority business networks that there are opportunities to do business with commissaries and exchanges. And the resale system efforts have progressively been improved and updated in the last several years.

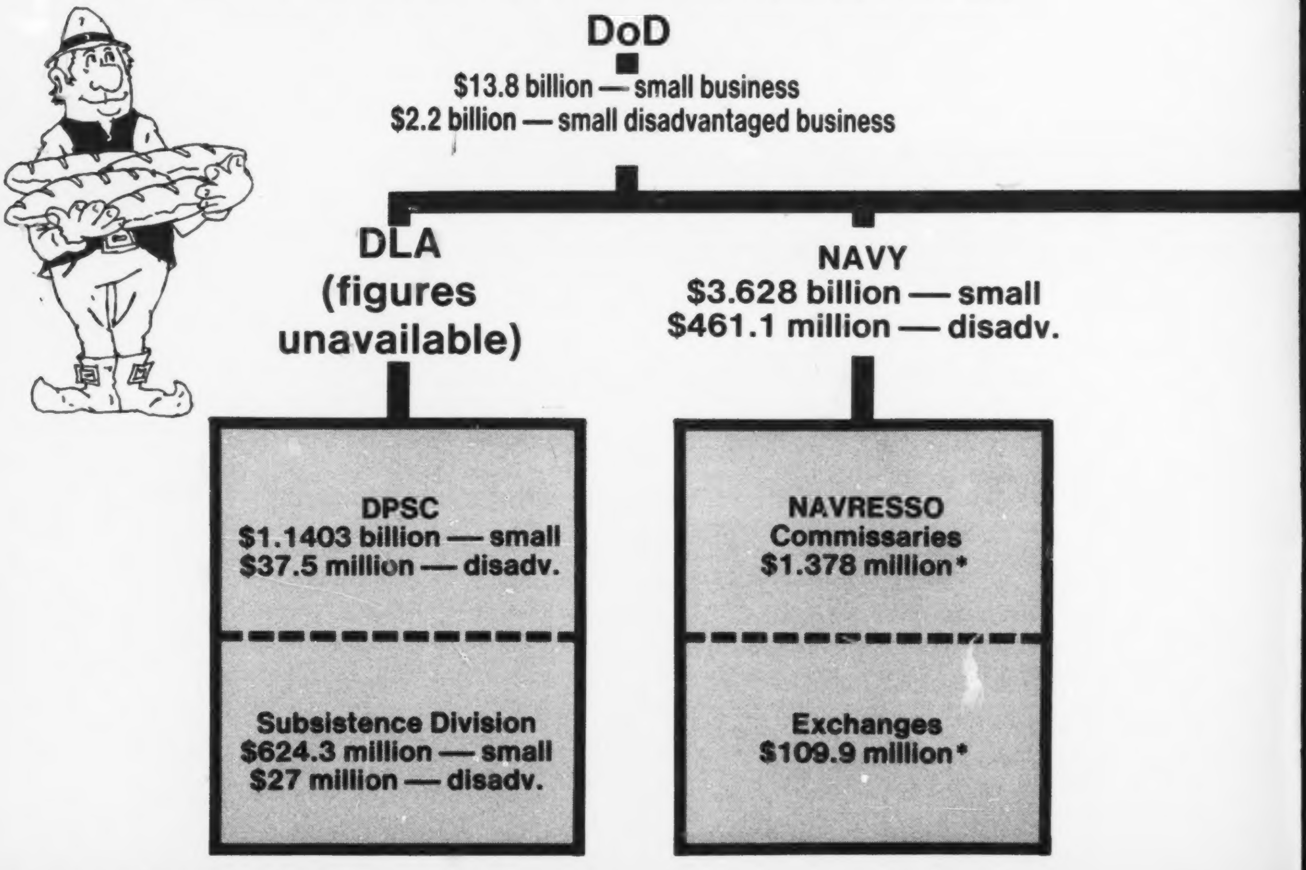
But there are problems as well. Finding viable businesses has been a continuing challenge for procurement officers. Tight money supplies and a generally poor economy definitely are exacerbating this problem. All this leads to a good deal of resignation on the part of some procurement officials that the programs just aren't workable.

MILITARY MARKET is presenting an in-depth report on small business utilization within the military resale systems, indicating what's required, what's happening, and what can be done to give small business utilization a big boost.

The DoD does have an aggressive program to develop small and minority business participation in its procurement activities, especially when compared with the many other federal agencies required to aid these special business concerns.

This should come as no surprise. In fiscal 1980, DoD purchased ap-

Fiscal Year 1980 Small Business Goals


DoD
$13.8 billion — small business
$2.2 billion — small disadvantaged business
DLA
(figures unavailable)
NAVY
$3.628 billion — small
$461.1 million — disadv.
DPSC
$1.1403 billion — small
$37.5 million — disadv.
Subsistence Division
$624.3 million — small
$27 million — disadv.
NAVRESSO
Commissaries
$1.378 million*
Exchanges
$109.9 million*

Military Resale Systems

proximately $83.7 billion in goods, which accounted for about 75 percent of all federal procurement. So, effective programs run by DoD can be a major dollar boon for small and minority businesses.

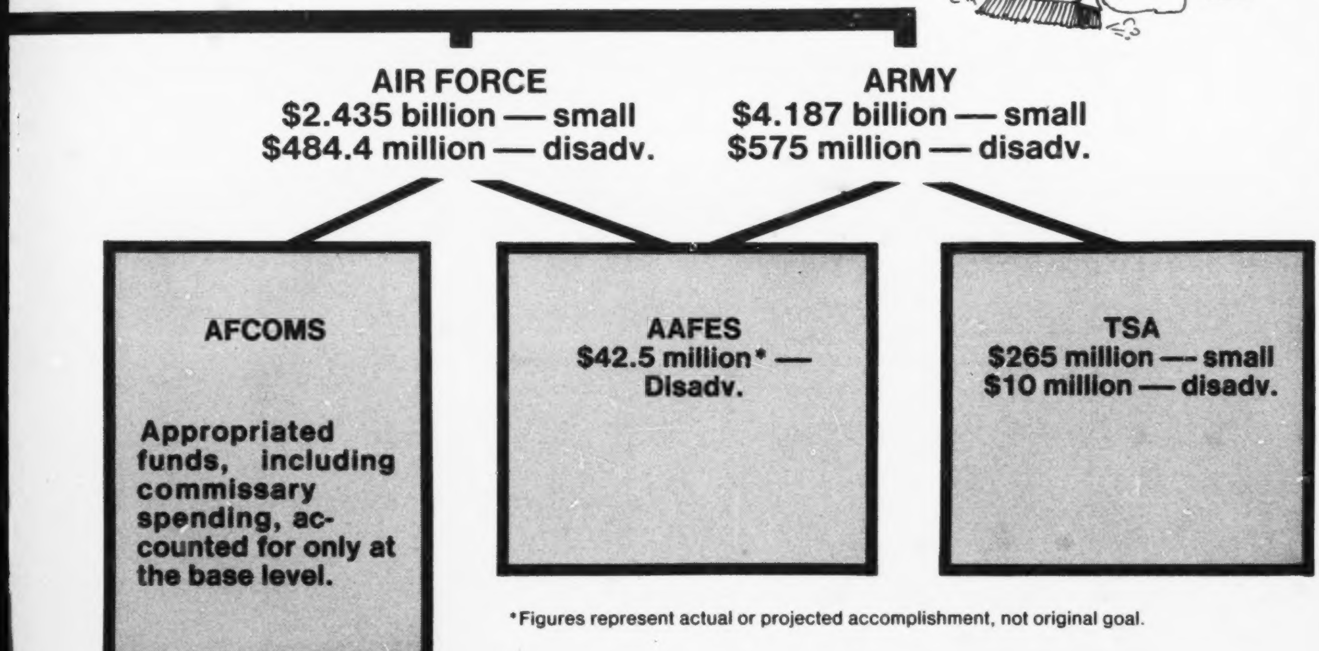
DoD takes five major steps to bring small and minority businesses into its fold of suppliers: source development programs, procurement set-asides, subcontracting requirements for prime contractors, procurement conferences and small business counseling and assistance.

The programs are having an effect. In fiscal 1980, DoD purchased some $13.6 billion in goods from general small businesses and $1.6 billion from small disadvantaged businesses. This represented 98.5 percent of DoD's goal for small business procurement, and — less impressively — 76.3 percent of its goal for disadvantaged businesses.

DoD's efforts are mandated by small business development laws, some of which date back to the 1950's. In 1978, PL 95-507 was enacted into law, and significantly strengthened the previous laws.

PL 95-507 requires each federal agency with procurement authorization to establish an Office of Small and Disadvantaged Business Utilization run by a specialist who reports to the agency head. The small and disadvantaged business utilization specialist oversees the efforts of the agency in carrying out the law, which requires certain set-aside programs, and subcontracting opportunities.

While this gives the military resale systems direction for small and minority business utilization, the systems definitely are a unique area within DoD. Let's take a look at how the appropriated fund and non-appropriated fund activities carry out these mandates.



AIR FORCE
$2.435 billion — small
$484.4 million — disadv.

ARMY
$4.187 billion — small
$575 million — disadv.

AFCOMS

Appropriated funds, including commissary spending, accounted for only at the base level.

AAFES
$42.5 million* —
Disadv.

TSA
$265 million — small
$10 million — disadv.

*Figures represent actual or projected accomplishment, not original goal.

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Small Business

A Source of Tremendous Innovation

By Donna J. O'Neal

ARE SMALL BUSINESS programs hand-outs and giveaways? Some military resale officials believe that to a large extent set-aside programs and other special small business efforts simply cause increased costs for goods and services, with less service and quality offered.

But as one military resale buyer told MILITARY MARKET, "Small business can be a tremendous source of innovation for us."

Therefore, in the earnings-oriented world of military exchanges, small business development efforts aren't just charity programs but logical, effective methods to ensure that the resale systems are getting the most for their money.

The Small Business Acts and PL 95-507, which strengthened them, do not apply to military exchanges because they are non-appropriated fund activities. However, each of the services does carry out advocacy programs to develop small/disadvantaged business sources.

AAFES is projecting, for example, that in fiscal 1980 (which ended January 26) it did about $42.5 million in business with minority enterprises. NAVRESSO meanwhile, reports that Navy exchanges did about $6 million with minority-owned businesses during fiscal 1980, $2.5 million with women-owned businesses and a whopping $95 million with general small businesses. The Marine Corps and Coast Guard have decentralized procurement offices and thus reported no system-wide figures.

Cutting the Mustard as a Minority Vendor

WHO ARE some of the minority vendors serving military exchanges — and how did they get started?

MILITARY MARKET contacted one minority concession conctor for AAFES, and got an interesting overview of how a small business person can become a successful partner with an exchange system.

Howard Ussery, owner of Hue Empire, operates barber and beauty shops at three military installations: Loring AFB, Maine; Hancock Field, N.Y., and Reese AFB, Texas. Ussery, based in Lubbock, Texas, was quite willing to talk about this success.

Ussery is a case of being in the right place at the right time. He began his career as a Navy barber, and after leaving the service, went to work for a barber concessionaire at Reese AFB. The barber shop owner decided not to renew his concession contract, and Ussery successfully bid on it in September 1977.

After getting his Reese AFB shop together, Ussery began to branch out. When contracts for shops at Loring AFB and Hancock Field came up, he bid on those and got the contracts. His shops now are spread out from Maine to Texas. An operations manager travels to the shops for him, overseeing the operations. Ussery has three barber shops and two beauty shops at the three bases.

But the barber shop entrepreneur notes that he did encounter obstacles finding a bank to back his business. Ussery was able to purchase the equipment for the first shop from his savings. It took two more years, however, to find a bank that would back his expenses for the other shops. "Basically I just had to work without a good bank behind me," Ussery said. "But eventually, with the help of local MBDA officials, I found a bank willing to work with me."

AAFES and NAVRESSO, Ussery says, offer small and minority businesses a tremendous opportunity. "Basically the malls represent large shopping in a small area," he said. "Thus a concession tends to have a captive audience.

"But, Ussery said, "quite frankly, I never thought I'd come this far this fast. I've got AAFES to thank for that."

F.Y.I.

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Special Assistant for Minority Business Utilization
Army and Air Force Exchange Service
Dallas, Texas 75222
(214) 330-3564

Herbert Friedland
Small, Disadvantaged and Minority Business Director
Navy Resale and Services Support Office
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Advocating Innovation

Unlike military commissary systems, the exchanges do not establish goals for small and minority business utilization. NAVRESSO and AAFES officials both concur that because of the diversification of activities the exchanges conduct and the volatile nature of retailing, established goals are fairly meaningless.

But there is a good deal of activity going on.

And of course it starts at the top. The minority business program at AAFES is carried out now by Eula Brown, who recently was appointed the special assistant for minority business utilization. Brown previously was the minority business specialist in the Merchandising Division. AAFES' small business program is targeted primarily at the development of minority businesses at this time.

Brown attends trade shows, works with Minority Purchasing Councils, regional Minority Business Development Agency (MBDA) offices, the Small Business Administration and even pursues congressional contacts in locating possible minority businesses.

For example, she has been in touch with Rep. Parren Mitchell (D-Md.), who is chairman of the House Small Business Subcommittee. Mitchell, long an advocate of minority and small business enterprise, has numerous contacts in the business community.

On the home front, Brown works with AAFES buyers to help develop business sources.

Herb Friedland, NAVRESSO manager for field contracting, conducts the small and disadvantaged business utilization programs for Navy commissaries and exchanges. Friedland works with regional minority development organizations, the New York Minority Business Opportunity Committee and participates in procurement fairs to locate and develop small business sources.

In addition, Friedland works with NAVRESSO buyers to help get merchandise from small businesses into exchanges.

Strengthening Efforts

Last year AAFES took several steps to strengthen its small business development programs, in order to ensure that its advocacy programs are keeping step with new developments in the minority business community.

Among the actions taken was the amendment of contracting officers' job descriptions; the rewritten job description now includes the requirement for implementation of the minority/small business program.

Also, a special stock selection committee was convened in February 1980 to survey AAFES' stock assortment with regard to ethnic and minority needs. The result was a basic list of items, including health and beauty aids, greeting cards and periodicals, that are oriented toward ethnic customers. This special committee meeting helped improve customer relations as well as relations with minority vendors.

And AAFES regional procurement officers are being contacted to determine how effective their dealings with regional MBDA officers have been in locating small business sources, for AAFES regional requirements.

Much of the strengthening of NAVRESSO's minority and small business programs has been on the commissary side of the house. Herb Friedland told MILITARY MARKET however, that to ensure that small and disadvantaged firms are provided an opportunity to sell their products in Navy exchanges, NAVRESSO headquarters merchandise buyers now provide counseling assistance and, if warranted, will arrange to test-market merchandise.

The test-market procedure requires that the sales tests be conducted in three exchanges, "in the best possible locations, during the best possible time, in order to evaluate the merchandise fairly and objectively," Friedland told MILITARY MARKET. If the test results are positive, Friedland says, the vendor becomes an established, listed resource for NAVRESSO.

Conceding Victories

Perhaps the most innovative aspect of small business development in the exchange systems is the promotion of concession contracts. AAFES has projected that in FY '80 about $16 million in concession contracting went to minor-

(Continued On Page 30)

AAFES MINORITY BUSINESS UTILIZATION
Through FY '80 3rd Quarter

Concession and Vending Sales	$12,703,400
Support Services	$320,643
Construction	$2,460,032
Architectural & Engineering Services	$195,208
Merchandise, Supplies & Equipment	$11,583,384
Transportation	$13,267
Average Monthly Deposit in Minority Banks	$7,811,111
Total	$35,087,045
Projected total for year	$42,500,000

NAVY EXCHANGE SMALL BUSINESS UTILIZATION — FY 1980

Small Business	$95,388,905
Disadvantaged Business	$5,919,317
Women Owned Business	$2,550,990
Total	$109,916,056

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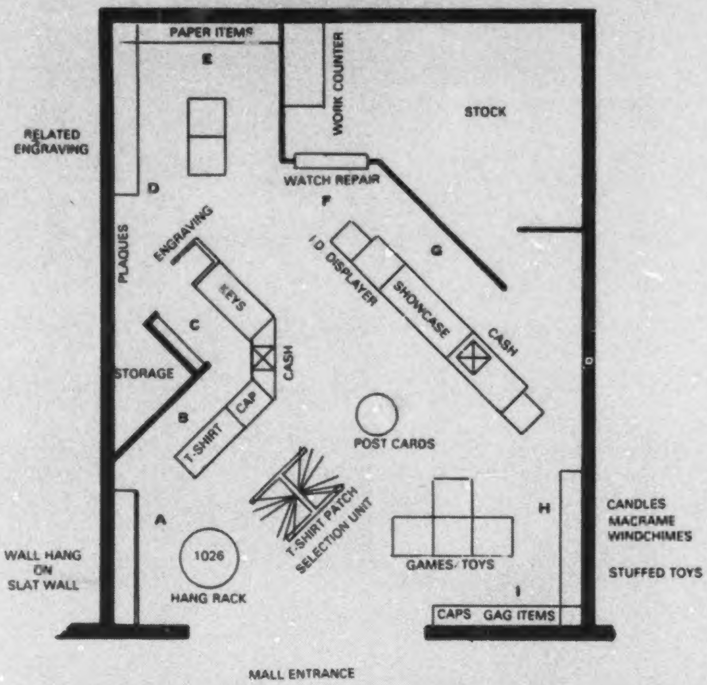
Small Business

(Continued From Page 27)

FLOOR PLAN



AAFES IS suggesting this as a floor plan for specialty shop concessions that could be opened at many AAFES malls. At this time there are only a few operations in ConUS that approach being a specialty shop, according to the resale system. But in time, AAFES wants to have many more.

ity businesses. Minority concession contracts at NAVRESSO exchanges totaled $1.6 million in FY '80.

Concession opportunities can be innovative because they run the gamut from such established services as barber shops and watch repair services to such unusual offerings as boat rentals and oyster bars. Under the concession contract concept, a business person contracts with one of the exchange services to operate a small business shop at an exchange mall, and in return shares a portion of the profits with the exchange service. Most concession contracts are negotiated on the region or area exchange level.

In addition, short-term, 10-day contracts for a variety of items can be negotiated between a small businessperson and an exchange manager, without a formal bid procedure.

Leslie Cohoon, chief of the AAFES Personal Services Branch, told MILITARY MARKET that concession contracts have become particularly popular with small businesses. To aid minority business owners in getting a slice of this pie, when new services at exchange malls are being contracted for, they are set aside for any minority businesses that can fill the requirement. If a competitive business is identified, a sole-source agreement may be negotiated.

Procurement officers alert local MBDA offices and give them 60 days to locate viable businesses to be eligible for such a sole source negotiation. However, as several contracting officers indicated, MBDA offices have not been very effective in locating businesses to get such sole-source negotiated contracts.

But William Jones, AAFES' Capitol Exchange Region minority business coordinator, told MILITARY MARKET that, "Recently I did get a sizeable list of names from MBDA for some upcoming contracts we will negotiate." Jones noted that MBDA is contacted about all concession contracts that are coming up for negotiation — those for new services and those for services already in operation. In the case of the latter contracts, MBDA offices get lists every six months about the contract negotiations. Under law, all concession contracts must be renegotiated every five years.

Small Timers

Leslie Cohoon said that in the case of short term contracts, local exchange managers have the authority to contract for a particular item/service for up to 10 days. "For example," Cohoon said, "If a business person comes into an exchange manager's office and says that he or she has hand-made yo-yos to sell, the exchange manager can offer a short-term contract for up to ten days, right on the spot. The vendor can set up shop, so to speak, in the mall, right then. This is a particular boon for the small crafts or commodity supplier who has limited quantities of items to offer."

These short-term contracts can be renewed every three months or so by the vendors, so that he or she theoretically could schedule a tour of several exchanges, and move about from one to another. Elmer Johnson, for example, markets his handmade glass figurines at 16 exchanges in the West and Midwest, using this short term contract procedure.

Cohoon says, "This program has been growing in leaps and bounds, and has offered AAFES customers such unique items as handmade planters, paintings, sculptures and other crafts, as well as live plants from local nurseries during the gardening season."

Cohoon also said that at some military installations groups of small vendors have gotten together and held "community bazaars."

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Small Business

(Continued From Page 30)

For example, at Eglin AFB, 26 vendors held a bazaar and sold such items as wooden name plates, Mexican hats, as well as offered small carnival type rides. Cohoon says that this creates interest for exchange customers as well as gets the exchange managers and service operation managers acquainted with local businesses.

Concessionaires at AAFES malls have one major advantage over AAFES exchanges — they can take credit cards from customers.

Building Up Concessions

AAFES also is going a step further to encourage its concession business. It now is promoting what it calls "specialty shops." Cohoon said that the specialty shop concept was developed based on the expansions one or two watch concession contractors made in their shops in the last couple of years. AAFES liked what these vendors had done, and also realized that watch repairing is not always a viable business on its own. Now AAFES is suggesting to exchange managers that they locate innovative, aggressive concessionaires who can provide a multitude of services in one expanded shop.

The specialty shop concept will offer AAFES mall customers such basic, but perhaps low-volume, services as watch, jewelry and shoe repair, along with a number of other services such as key cutting, name-plate making, personalized stationery, business cards, Christmas cards, personalized plaques and trophies, rubber stamps, photo copying, and a host of other such low-volume, but often-desired services, all in one expanded shop. A diagram on page 30 shows how AAFES envisions that these shops should be set up.

The Bottom Line

As MILITARY MARKET learned, small business development opportunities abound within the resale systems, because of the very aspect that makes goals indeterminable — the diversification of exchange activities.

Contracting officers have learned that small businesses can be innovative, and a real plus in terms of customer relations. However, there may continue to be some hesitancy on the part of some procurement and exchange officials to push these programs.

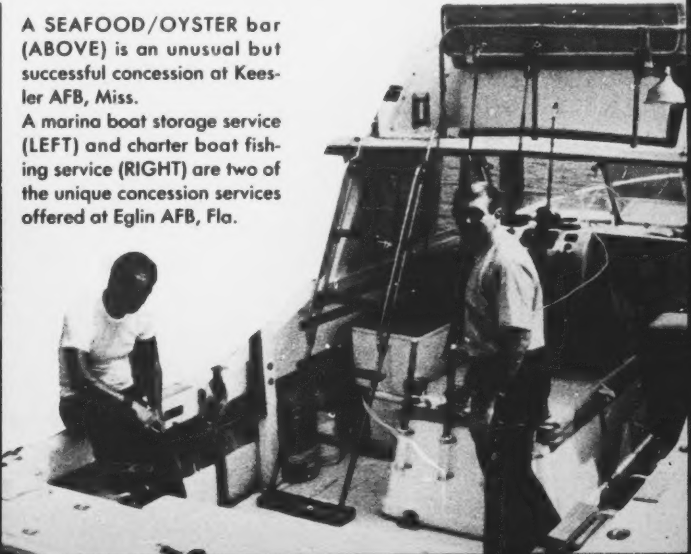
But be that as it may, the mandate continues to be there to promote small business development.

Eula Brown said, "We're trying to make more effective use of our established sources this year. That is an important focus for us now. We also are looking at our ways of identifying competitive minority businesses to aid the procurement officers in the field as well as headquarters buyers in carrying out this mandate."

NAVRESSO's Herb Friedland indicated that finding new small vendors to work with NAVRESSO will be on par with developing those already doing business with NAVRESSO. He believes that small business can be a serious plus for exchanges — despite the extra time and effort required to develop new sources.

Thus hopefully exchange managers, service operation managers and regional procurement officers will get on the small business bandwagon. After all, small business is really big business in America.

A SEAFOOD/OYSTER bar (ABOVE) is an unusual but successful concession at Keesler AFB, Miss.
A marina boat storage service (LEFT) and charter boat fishing service (RIGHT) are two of the unique concession services offered at Eglin AFB, Fla.



Small Business

Wringing Out the Commissary Business for New Opportunities

By John A. de Ferrari

OF ALL THE ISSUES facing the commissary systems, the first and toughest is small business." So said TSA commander Brig. Gen. Leo Brooks during a recent address at the American Logistics Association's annual convention.

"National policy and direction on this issue are very clear," he continued. "We must build, support and maintain the business of the nation with small business."

But despite the willingness and effort expended by all of the commissary systems towards the goal of supporting small businesses, the task remains a difficult one. Commissaries and small businesses, as far as procurement is involved, tend to remain strange bedfellows. Commissaries are limited in the number of line items they can carry, and their first goal is to provide customers with what they want.

Since customers tend to be decidedly in favor of nationally-recognizable brand names (often manufactured by large conglomerates), small businesses have a tough time making headway.

But this does not mean that significant goals for small business utilization cannot be established and met; it is simply a matter of ingenuity and persistence on the part of small business specialists to search out new ways for small businesses to get involved with commissaries and new methods for tracking down who the eligible small businesses are.

Army Attitudes

Each of the commissary systems has a different method for supporting the utilization of small and disadvantaged businesses.

Army's Troop Support Agency, because it engages in contracting with federally appropriated funds, has been required for a number of years to establish specific dollar goals for small business and small disadvantaged business procurement.

As the accompanying charts show, progress has generally been good. While total small business procurement has dipped a bit — down from 23 percent of all procurement business in FY 78 to 20 percent in FY 80 — small disadvantaged business utilization has risen dramatically. FY 80's figure is more than double that of FY 79.

TSA's headquarters Contracting Office at Fort Lee is the location of the agency's small business specialist, Crosby Johnson. Since Johnson was not available when MILITARY MARKET telephoned his office, his deputy, Dorothy Thornton, talked with the magazine about small business programs. She was Acting Director before Johnson's appointment to the small business post.

Thornton explained the complex subject of how small business goals are determined: "The Small Business Administration sets goals for the Department of Defense as a whole. Then DoD splits those goals up and assigns goals to each of its departments. The Department of the Army sets goals for TSA, and then we divide these among our four (ConUS) regional field offices."

Each field office is responsible for locating small businesses in its area, and the mission of the headquarters contracting office is to spread information on small business availability — a job more important than it might at first seem.

"We're trying to open as many doors as possible," Thornton said. Though progress has been solid, "We're far from reaching our stride. We're planning a number of new programs to begin this year."

The small disadvantaged business (also called minority business) segment is the area most commissary systems are working the hardest on, and TSA is no exception. "Disadvantaged businesses are our first priority," Thornton said.

MILITARY MARKET contacted the Southeast region's contracting office about the particular emphasis it has been placing on disadvantaged businesses in its region.

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Small Business

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"We give out a list of businesses that we have determined to be disadvantaged to each of our commissaries," Judy Bolduc, the region's small business specialist, said.

"Many of the businesses in the Puerto Rico area are disadvantaged, and we have made a lot of use of them," she said. A small disadvantaged business, for instance, recently installed materials handling equipment for the Fort Buchanan store.

"In the past two and a half to three years we've really been pushed to put forth a concerted effort on the behalf of small businesses," said Bolduc. "And our major effort has been towards small disadvantaged businesses."

Much of the regional office's work, as at headquarters, is devoted to greasing the wheels that get eligible small businesses in contact with stores that can use their services. "In the past, we have had difficulty identifying which businesses we dealt with were small businesses," Bolduc said. The office has been giving guidance and publishing information on businessmen's need to identify themselves as small or disadvantaged. "We have identified all our current small businesses now," Bolduc said.

Towards the end of finding more small businesses, the Field Office does such things as sponsoring open houses (one was held last year) at which small businessmen get a chance to see what types of requirements a commissary has and how to go about contracting for them.

"The trouble is that there are very few requirements in commissaries for small businesses," Bolduc said. The reason is that customer preference remains with the nationally recognizable name brands.

Some categories do get small business set-asides, however. Bolduc mentioned milk and eggs as common set-asides. In the past the Southeast region has had set-asides for beef as well, but recently has been unable to locate small businesses able to meet its beef requirements.

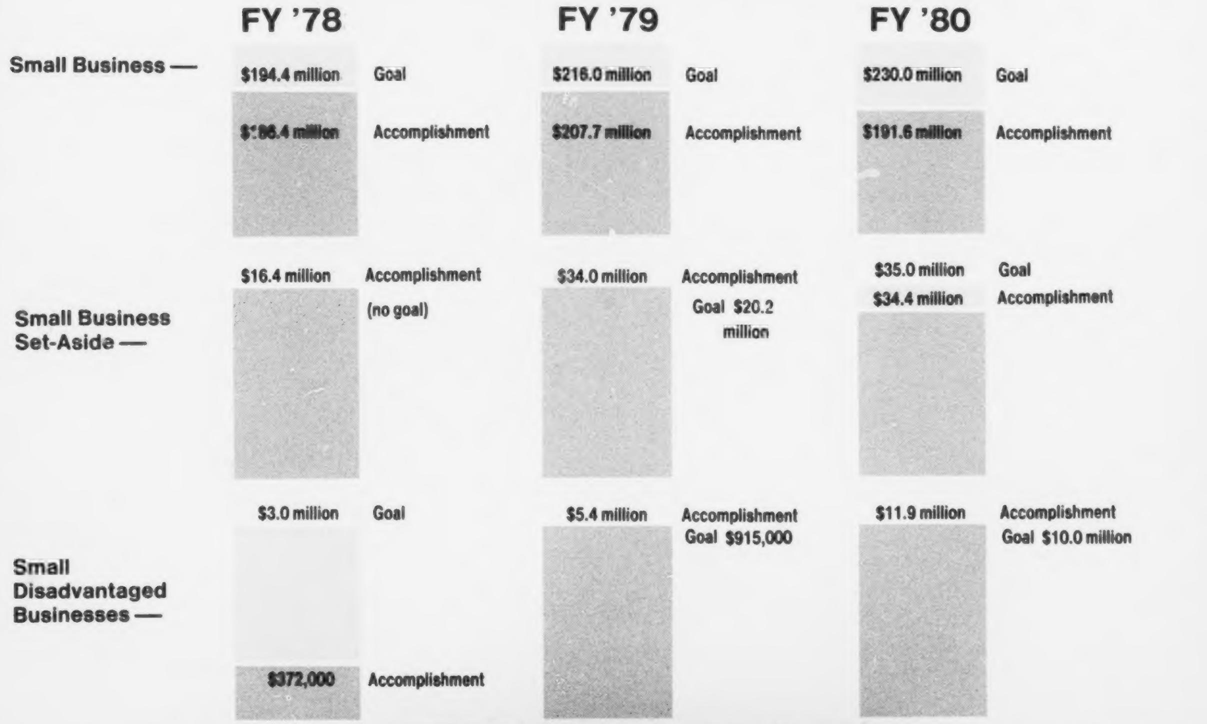
Contract Shelf-Stocking

Since AFCOMS is, in its own words, a "customer activity," it does no delegating of contracts and thus has no goals of its own for small business procurement. Contracting is uniformly carried out at the base level and is overseen by the small business specialist at the base contracting office.

MILITARY MARKET spoke with two base-level small business specialists about the kind of work they get into. The first thing that both specialists mentioned on the subject of commissaries is that "customer preference" rules. No amount of arm-twisting is going to keep commissary shelves stocked with goods no one wants to buy. However, MILITARY MARKET's

(Continued On Page 47)

T.S.A. SMALL BUSINESS ACCOMPLISHMENTS



SOURCE: Troop Support Agency

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Small Business

(Continued From Page 36)

sources noted that both the commissary store managers and AFCOMS complex directors they have dealt with had been very supportive of small businesses to the extent they could be.

"The commissary will test market any products a small business is trying to get included on that store's stock list," one of the specialists said. The other specialist concurred: "We welcome any new manufacturers, especially in the small business set-aside categories such as bread, dairy products, etc."

A recent letter issued from AFCOMS headquarters encourages complex directors and store managers to do such things as give preferential test-market treatment to small business-produced products.

"When a particular contract is under $10,000 and two or more small businesses are available with the capacity to fill it, it is automatically set aside for small business," the first specialist said, reiterating the mandates of PL 95-507. "We make recommendations to DPSC for bread, milk and dairy products. We used to get carcass beef from small businesses as well, but recently haven't been able to locate enough suppliers to do it. The last time we were buying beef locally, the contractor defaulted," he said.

MILITARY MARKET's source said that occasionally "one-shot deals" become available through small businesses and that commissaries are able and should be willing to take advantage of them. "Last summer, for instance, we had a very good local cucumber contract," the source said. But deals like that are limited and can't be relied upon to appear on a regular basis, the source explained. "We do what we can when we can."

Like TSA, Air Force contracting officers find they can get small businesses to connect with commissaries best in the area of services. A major area of service to Air Force commissaries is contract shelf-stocking.

The difficulties first experienced by AFCOMS when it began its contract shelf-stocking program in the fall of 1979 are well-known. Eight of the 13 original contractors defaulted, largely because they had misjudged the extent of the work necessary and consequently bid too low for the contract.

The contracting officers at both Air Force bases that MILITARY MARKET contacted had recently begun small business-run shelf-stocking programs, and neither reported any significant dissatisfaction.

Both said that construction is another area almost always set aside for small business. If large contractors are used — for instance, for an entire new store — the law requires them to subcontract out to small businesses. Minor construction includes additions to stores as well as equipment installation. A materi-

(Continued On Page 56)

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Small Business

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als handling system was recently put in by a small business at the Tyndall AFB store, for instance.

Navy Small But Growing

NAVRESSO reports that 35.3 percent of its appropriated fund contracts went to small businesses last year. These were primarily spent for commissaries, and amounted to $1,378,315. The goal for FY 81 is $2.03 million which, if achieved, would represent a 47 percent increase over the FY 80 figure.

This collective goal includes small disadvantaged businesses as well as women-owned businesses.

Herb Friedland, NAVRESSO's Small, Disadvantaged and Minority Business Director, is in charge of supervising small business utilization in Navy exchanges and ships stores as well as in commissaries. In fact, the commissary end of his work is practically insignificant, in terms of dollar amounts. While small business utilization was $1.4 million in Navy commissaries, it was over $100 million in exchanges and $4.7 million in ships stores.

"It's very difficult finding eligible firms," Friedland told MILITARY MARKET. The primary area for small business procurement in commissaries is store fixtures and equipment, "although there are items, like cash registers, that simply aren't made by any small businesses." Nevertheless, efforts to find new businesses continue and the scope of Friendland's work is broadening as well.

For instance, some women's business goals have been instated, among the first in the resale systems, though the program is still fledgling and NAVRESSO has had trouble finding any women-owned businesses. "We'll soon be getting a new list of products and businesses offered by women," Friedland said.

Towards the goal of helping to make commissary store managers more aware of what the law says about small businesses and federal procurement money — as well as to give headquarters a better idea of what small business utilization is actually going on — NAVRESSO recently issued Instruction 4065.33. The letter states in part: "A review of ConUS Commissary Store records for fiscal year 1979 reveals that a higher level of effort and greater initiative must be taken to expand our commitment towards the small business and small disadvantaged business program. Additionally, increased management attention must be given for preparing and submitting required documents so that appropriate credits may be recorded for such initiatives."

NAVRESSO has developed a number of ways of searching for new small businesses. It now has a policy of sending a copy of each appropriated fund solicitation to three business development organizations as well as to the New York Minority Business Opportunity Group. This allows these organizations to be aware of what the Navy's requirements are so they can pass the information on to prospective bidders.

Brooklyn also participated in 13 congressionally-sponsored small business conferences last year and will continue to attend them this year. The conferences, usually held for a particular local area and sponsored by the local member of Congress, allow small businesses to meet face-to-face with prospective contractors, such as NAVRESSO.

F.Y.I.

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In summing up NAVRESSO's current commissary-related efforts, Friedland reiterated TSA's priorities: "For small businesses in general, we're doing pretty well," he said. "It's the Minority (Disadvantaged) and Women's businesses that we really need to hit."

Beefing Up DPSC

DPSC is responsible for making many contracts with small businessmen for the ultimate good of the commissary patron. The agency is in charge of a wide variety of military procurement, and Richard Husser, the Special Advisor to the Commander on Small and Disadvantaged Business Utilization, said the Center does not establish goals for items for resale, since it includes its military resale dealings under the category of subsistence.

Besides arranging requirements-type contracts (which, in areas such as dairy or meat, may very well be with small businesses), DPSC also runs the Brand Name (Supply Bulletin) program.

"Generally, small businesses don't get Brand Name contracts," Husser told MILITARY MARKET, "because in order to do so they must show sales to 25 commissaries. But small businesses that do have brand name products don't *need* brand name contracts with DPSC. They are free to sell directly to the stores convenient to them."

Small businessmen dealing specifically in boxed chilled beef may soon get extra help in getting on the Supply Bulletin, if a recent DPSC proposal is accepted by the Defense Logistics Agency. The new proposal would require boxed beef vendors to show sales only to five commissaries, instead of 25, to get on the Supply Bulletin. (The proposed change refers only to boxed meats and not other items destined for resale.)

Generally speaking, DPSC and the commissary systems complement each other in the area of small business utilization, or at

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Handicapped is no Handicap

CONTRACT shelf-stocking, where in effect at AFCOMS commissaries, is universally carried out by small business. With one important exception . . . .

The exception is at Sheppard AFB in Wichita Falls, Texas, where shelf-stocking is being performed by handicapped workers. These people are under contract with the Individual Development Center (IDC), a division of the National Indsutries for the Severely Handicapped.

MILITARY MARKET spoke with Dick Webber, the executive director of the Center, about how the Center goes about providing shelf-stocking for the Sheppard commissary. "We are primarily a rehabilitation facility for severely handicapped people," Webber said. "Our ultimate goal is to train these people for competitive employment on their own."

It is towards that larger goal that a secondary goal is established to keep handicapped persons in a working environment, where they can learn to adapt and build self-confidence.

The Sheppard commissary shelf-stocking program is part of that plan. The IDC took out the shelf-stocking contract as of October 1, 1980. Under the contract, IDC is obligated to get the job done adequately and on time or else lose the contract, like any other contractor. It is up to IDC to use as many or as few personnel as it needs.

Before work actually began, staffers from the Center went to the Sheppard commissary and carefully studied every aspect of the shelf-stocking job: the physical layout of the warehouse and store, the number and type (heavy or light) of products carried, the amount of room the aisles in the store offered for opening cases and pallets, and how the products were arranged on the shelves.

From this in-depth job analysis the Center created a vocational test designed specifically for the Sheppard shelf-stocking job and evaluated its clients against the "norm" for this job. The results yielded the best candidates for shelf-stocking.

The methodical care with which the Center approached the Sheppard contract has apparently paid off. The commissary is quite satisfied with the job the handicapped workers are doing.

Due to the strenuousness of the job, the IDC has experienced about a 40 percent turnover in personnel since the start of shelf-stocking, and the Center considers this a pretty good rate. "Our workers are currently stocking shelves at a rate of 21 cases per hour per employee. We're trying to raise that rate," said Webber, "until we approach the commercial norm (35 cases per hour per employee)."

Webber noted the critical importance of having specifically analyzed the Sheppard commissary for the job of shelf-stocking. "Commissary stocking is highly dependent on how the warehouse and store are actually laid out. General, national standards are not really possible because there are so many variables from commissary to commissary."

When asked if the Center had plans to expand its services offered to the military, Webber said several projects are in the developing stage. "We're growing as fast as we can as it is," he said.

The Center's handicapped workers also provide a complete dining hall foodservice to Sheppard (the largest contract they've ever had) and do some custodial work as well. Webber also mentioned a number of areas in which handicapped workers could be very successful, including baking and meat-cutting and such exchange concession-type areas as shoe repair, ice cream parlors and photo stand attendance.

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least have the capability of doing so.

In individual store-by-store cases, the small business is best advised to deal directly with the store, which is encouraged to give the small businessperson's proposals special attention. On the other hand, if a store is procuring through DPSC and orders a name brand product in a category which DPSC has determined to be a small business set-aside, DPSC will automatically substitute a small business-manufactured product for the name brand one.

Husser reports that DPSC's small business utilization has been increasing fairly steadily in recent years. Last year, 56 percent of the Center's business went to small businesses. Within the subsistence category, 49 percent went to small businesses.

Among the sources for new small businesses used by DPSC is the Small Business Administration's Procurement Automated Source System (PASS). Both the SBA and DPSC pass out brochures at a number of open houses that are sponsored each year, and names are compiled and registered as sources in the PASS system. By calling the SBA, DPSC can request sources for a particular procurement item, and the SBA can find those sources almost instantaneously through use of a PASS computer terminal. DPSC hopes to install its own PASS terminal in the near future.

Business is Business

While the resale industry makes extensive efforts at the headquarters and regional levels to aid small businesses, a small firm — like any larger one — must ultimately please the commissary customer if it is to continue doing any business at all. It is the job of individual store managers to see that small businesses get their "fair shake."

The potential benefits are high for everyone.

Spices and Condiments

Cures For The Blandness Blues

By John A. de Ferrari

A rush of new products and stepped-up promotion schedules are filling the condiments aisle with excitement as Americans yearn for spicier foods.

THE SPICES and condiments aisle is currently under a two-pronged attack.

First and probably most important, the economy is changing the way people eat. The high cost of premium fare, especially beef, means consumers are planning less expensive menus than they used to. Steak is giving way to hamburger and pasta. And the way to keep something like hamburger or pasta tasty and appealing is to dress it up with a good sauce and a few select spices. Such condiments as soy sauce, spaghetti sauce, and barbecue sauce have all been picking up in sales as a result of these changing habits, and spices have the potential to do the same.

The practical, economy-based motivation towards spices and condiments is being reinforced by a substantial desire among Americans to get away from the bland, mass-produced products they consumed so ravenously in the past. For example, a recent survey of teen-aged Americans shows an overwhelming preference for pizza, a highly seasoned food, over blander past favorites such as hot dogs and hamburgers, according to Tom Burns of the **American Spice Trade Association.**

MILITARY MARKET spoke with a market research specialist for **Durkee Famous Foods** about the outlook for condiments in the coming year. "People are looking for things to do to make foods spicier," he said. "Hot sauce will probably be a strong growth item because of this." The Durkee spokesman went on to predict that blander condiments such as catsup and yellow mustard will probably not grow as fast as hot sauce or barbecue sauce. Already volume movement of Durkee's barbecue sauces has increased four to six percent over the past year. Special flavors of barbecue sauce — such as onion and hickory flavor — show particular promise, as do brown mustards that have a strong, "bitey" taste. Durkee is planning to add a new stronger mustard to its Mr. Mustard line in the near future and will also be rolling out a new hot sauce within the next few months.

Generally the liveliness in the condiments aisle is centered around products associated with ethnic origins, especially Mexican, Italian, and Oriental foods. Sauces associated with Italian pasta dishes are perhaps the most solidly entrenched in the American market, although Mexican and Oriental dressings are growing at least as rapidly.

Ragu Foods, Inc. recently introduced a novel sauce called Pizza Quick that is designed to capitalize on the overwhelming popularity of pizza. Pizza Quick can be spread on a piece of toast or an English muffin and baked to create an instant homemade pizza-like snack. Supported by a strong ad campaign, Pizza Quick has so far been a "tremendous success," according to one company source.

Meanwhile, the **Campbell Soup Co.** is currently test-marketing a new entry into the lucrative spaghetti sauce market. The new product, called Prego, uses labelling that plays up the fact that it is "100 percent natural" and is made "with herbs and spices" and "no added starch." These are all qualities with high shopper appeal in the current market.

Having experienced better than 10 percent volume sales increases in the condiments category in 1980, **La Choy Foods** has recently come out with new sauce products of its own. La Choy Spare-Rib Sauce and Plum Sauce, like Campbell's Prego, are condiments of ethnic origin designed to appeal to the American public and be used in a variety of dishes, not just Oriental ones. Out of their entire Oriental line, La Choy has found that sauces have been among the hottest items.

A spokesman for La Choy pointed out that their Oriental sauces do even better in the military than they do in the civilian sector. In the military, for instance, the company's Sweet and Sour Sauce is one of La Choy's top ten selling items, while it comes nowhere near that volume in commercial grocery markets. As yet a clear cut explanation for the military shopper's special attraction to sauces is not apparent, the La Choy spokesman said.

A particular stumbling block for both sauces and spices is that they are not simple foods whose use is readily apparent. Plum Sauce sounds interesting, for example, but how is it used? The answer to the problem lies in effective p-o-p merchandising materials. La Choy has used bottle collars attached to its sauces with recipes printed on them as well as recipes on the labels themselves to give shoppers incentives to try the products.

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The spokesman for Durkee concurred that providing recipes on product packaging is a key merchandising technique for condiments. "Our research shows that the housewife is always looking for one more way to make something like hamburger," he said. "Shoppers have told us they always like to see more recipes." In response to the demand, Durkee is currently offering its patrons recipe booklets by mail for a nominal handling cost.

Along with recipes, tie-in merchandising is considered essential for condiments, since by their very nature they must be consumed along with some other food. Manufacturers of steak sauce and soy sauce like to see their products set over the meat case whenever possible, since this always strengthens sales. Seasonal tie-in merchandising is also particularly effective for condiments. La Choy, for example, reports greatly increased sales when their Sweet and Sour Sauce is placed next to hams during the Christmas and Easter seasons.

Stable Prices

The price situation for condiments in the coming year looks more appealing than it does for other food categories. Most manufacturers report only slight if any increases in price in the coming months. "1981 prices will be very stable," the La Choy spokesman told MILITARY MARKET. If volume sales continue to grow, manufacturers will be less pressed to increase prices. The Ragu spokesman, while noting that price decreases were not likely, said increases in prices would probably be less than 10 percent, the overall expected food inflation rate.

While shoppers are increasingly tempted by sauces and foods that boast "made with fresh herbs and spices," they continue to find the spice department itself somewhat overwhelming. Accordingly, supermarket sales of spices have not been growing nearly as fast as use by foodservice and food manufacturers. "The grocery market phase is a saturated market," Tom Burns of the American Spice Trade Association told MILITARY MARKET.

Still, the potential for expansion remains, if shoppers can be better informed about which spices are used for what purposes. **McCormick & Co., Inc.** has used p-o-p recipe giveaways, free cookery sets, and spice rack premiums to build consumer awareness and interest in both its regular and gourmet spice lines.

There are health reasons as well that add to spice's potential. "The sodium content of spices is exceptionally low," Burns said. "For those who must restrict their sodium intake, the proper use of spices can enhance their diet so that they won't have to resort to flat, bland-tasting food."

Dehydrated onion and garlic are the most widely used spice items (though people don't always think of them as spices), with movement in excess of a hundred million pounds a year. Unlike spices such as cinnamon, black pepper, and nutmeg, most of this product is produced within the U.S. Black pepper, often considered to be the most important spice, is imported into the U.S. at a rate of about 50 million pounds a year.

A recent survey sponsored by the American Spice Trade association discovered that 97 percent of the shoppers surveyed considered spices "important" or "very important" to their cuisine, while 93 percent said they keep black pepper constantly in stock.

The survey found high utilization of other spices as well: 94 percent constantly stock cinnamon, 86 percent keep nutmeg on hand, 85 percent have garlic powder, and 82 percent have paprika constantly on their spice racks.

Competition in Sweeteners

However basic the taste of sweeteners may be to the human diet, a host of widely differing reasons keeps the price and availability of sugar and artificial sweeteners always somewhat uncertain. Here are the latest facts and figures for the sweetener market.

- Sugar: Predictably, the overall trend for sugar prices over the past few years has been upward, though from month to month the price can fluctuate widely. Last year a sharp drop in sugar production in most of the producing countries led to a false belief that insufficient supplies would be available to meet world demand. Accordingly, wholesale sugar prices were driven to a high of 40 cents a pound in early November before they slid back down to the 30 cents a pound level, where they stand now. This 30 cent figure is considerably above 1979's average of 9.7 cents per pound.

(Continued On Page 40)

SOURCE: American Spice Trade Association

SPICES ARE HOT

These are the six biggest gainers in U.S. spices consumption over the decade from the mid-60's to the mid-70's. Figures include industrial and food service use as well as supermarket sales.

SPICES	CONSUMPTION INCREASE
Basil	+722%
Oregano	+116%
Dill Seed	+103%
Anise Seed	+100%
Sesame Seed	+100%
Cumin Seed	+80%

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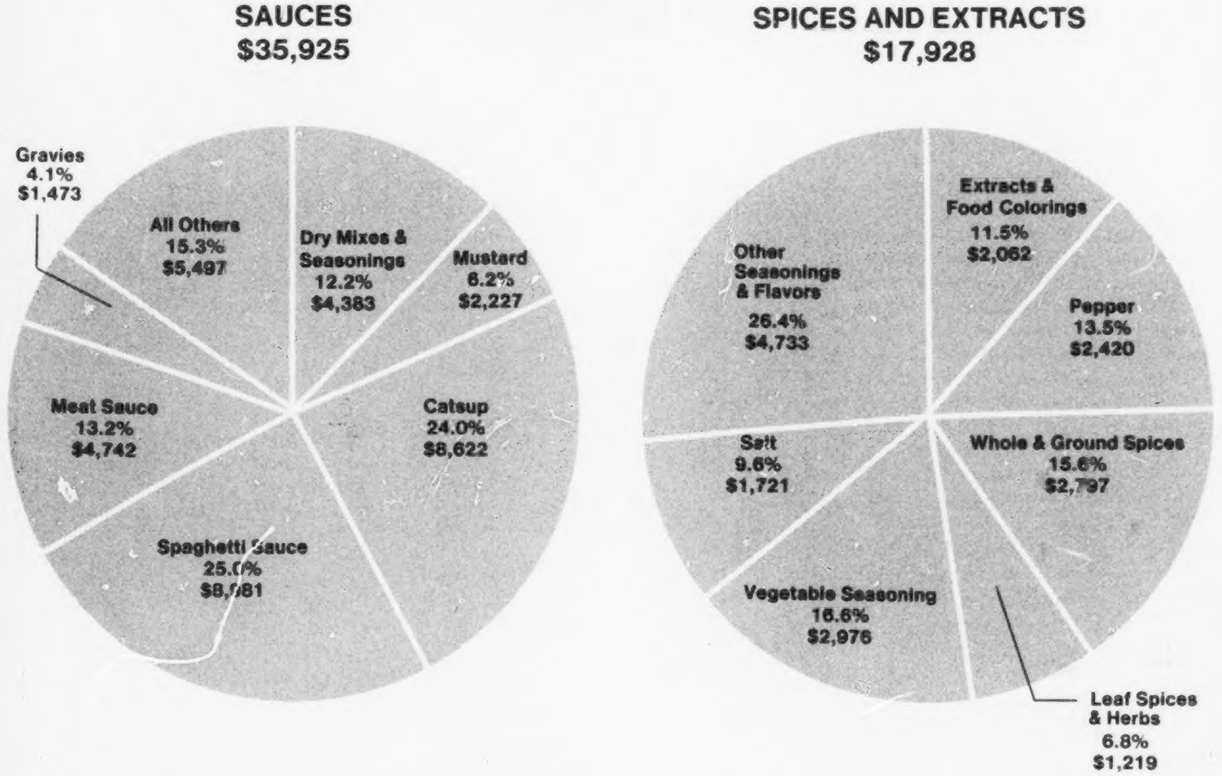
Spices and Condiments Sales in Military Commissaries Worldwide CY 1979 (in $000)



SOURCE: Army Times Publishing Co., Research Department

(Continued From Page 39)

The Agriculture Department is predicting the wholesale price will rise to an average 40 cents a pound in 1981, though they warn that if prospects indicate a further decline in world stocks, the price could hit 50 cents.

Meanwhile the consumption of refined sugar in the United States has been dropping. The USDA predicts 1981 per capita consumption will be around 85 pounds, down from a peak figure of 103 pounds in 1972.

- **High Fructose Corn Sweetener:** Much of the sugar consumption decline is attributed by the USDA to rapid adoption of high fructose corn syrup (HFCS) as a substitute for cane sugar. HFCS consumption is forecast at 21 pounds per-capita in 1981, up from 18 pounds in 1980. Most of that consumption takes place indirectly through soft drinks, which have just in the last year begun to use the recently developed sweetner. HFCS is as sweet as cane sugar but considerably cheaper because it's made from corn starch. While direct consumer use of HFCS is still very limited, its producers continue to study the market for possible future expansion.

- Saccharin: Saccharin is currently the only non-caloric sweetener available in the United States. Current legislation prohibits any further Food and Drug Administration (FDA) actions concerning saccharin until June 30, 1981. It is uncertain what actions, if any, will be taken at that time. Numerous studies have been conducted on the subject of saccharin and cancer, and none have shown any evidence of a relation between saccharin use and a heightened risk of cancer, according to a report by the Calorie Control Council, an association of manufacturers and suppliers of dietary foods and beverages. While the FDA continues to maintain reservations about the sweetener, public sentiment seems to be strongly in its favor.

- Aspartame: Another artifical sweetener being considered for consumer use by the FDA is aspartame. A Public Board of Inquiry, however, has recommended that aspartame not be approved for use until more research is carried out. It is possible, but not too likely, that aspartame may be approved for use by the FDA sometime in 1981.

- Cyclamate: In 1980 Abbott Laboratories petitioned the FDA to accept cyclamate as an approved food additive. The FDA denied the request, and cyclamate is unlikely to be approved for use in the near future, according to the Calorie Control Council. MM

The Aftermarket Shifts to Another Gear

By Susanne D. Williams

Military automotive departments are holding their own and reporting reasonably good sales, despite general market trends that have automotive aftermarket products just chugging along.

CARS, ALAS, DO not live on gas alone.

Their well-being depends as well (and sometimes more) on periodic tune-ups, an exchange of batteries, new tires and a host of other time- and money guzzling acts.

Service stations are generally the executors of deeds cars require for proper operation, but high prices, in particular for labor, have forced motorists to take things into their own hands.

According to a survey conducted by *Home and Auto* magazine in 1980, 91.9 percent of all survey participants changed their own oil, 84.4 percent changed their own spark plugs, and 86.9 percent installed their own batteries. The list of do-it-yourself activities is endless. The survey also showed that complicated jobs such as installing cruise controls or alarm systems are less popular and usually are left to experienced mechanics.

Still, the number of DIYers — mostly men in their twenties and thirties — is sizeable and has given a healthy boost to the auto aftermarket, which is currently estimated to be a $39.9 billion a year business.

It is also a business that seems to do well under stable economic conditions and holds its own when times are rough, most industry experts tend to believe. In recessionary times, logic has it, people postpone new car purchases and put their older cars in good shape instead.

Flat Sales Nationwide

Unfortunately, this logic is not holding today. "People haven't maintained their cars as they should have," a spokesman for the Motor and Equipment Manufacturers Association told MILITARY MARKET. They have fewer disposable dollars to spend and are inclined to put off making repairs, which often are deferrable anyway, he said.

QUAKER
METAL GARD
STATE
New Quaker State Metal-Gard rust protection: Guaranteed as long as you own your new car.
Trust us against rust. Quaker State helps cars last.

QUAKER State, the motor oil giant, won a POPAI award for this Metal-Gard display. The company recently had some problems with two of its motor oils.

He added that the economic situation today differs quite a bit from the recession experienced in 1974-75. At that time, interest rates were low and sales to distributors during the first half of 1974 were actually quite strong. Distributors, however, overstocked and bought very cautiously in the second half of the year, yet customers in turn bought quite heavily. "There is an inverse relationship between distributor and consumer," the spokesman said. "Distributors are more affected by high interest rates."

Today, high interest rates affect everybody and turn both distributors and customers into cautious buyers. Motorists in particular are reluctant to pay for more than just emergency repairs, hoping instead for better times.

And if the high-interest/recession situation wasn't explosive enough to spark this down-spiraling trend, increasing gasoline prices have prompted motorists to drive less and less. In addition, a mild 1979-80 winter treated cars with some kindness and did not necessitate major spare part purchases.

As a result, the auto aftermarket in the civilian world has nose-dived, much to the chagrin of the

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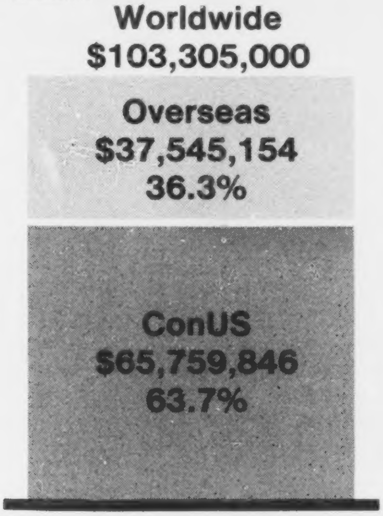
Sales of automotive products in exchanges topped $100 million in 1979 — a first for the resale market.



Figures are for calendar year 1979, the most recent year available.

SOURCE: Research Department, Army Times Publishing Company

makers of parts and accessories. "I can't emphasize enough that it wasn't a good year," an industry expert told MILITARY MARKET. According to the **Champion Spark Plug Company**, the number of tune-ups has gone down by almost half. Sales figures provided by the Automotive Parts and Accessories Association show that retail sales dropped 8.9 percent from 1979 to 1980. And battery shipments over the same timespan decreased 6.7 percent in terms of units.

Tire sales are down, too, with domestic manufacturers suffering from competition from the French tire giant **Michelin**, in addition to the increasing popularity of longer-lasting radial tires.

Sales of motor oil, the biggest volume item in the auto aftermarket, have also taken a beating. According to the *Wall Street Journal*, **Quaker State**, the country's largest refiner and marketer of refined oil, has reported four consecutive quarters of lower earnings. Quaker State reportedly asked its crude-oil suppliers to cut back deliveries by 20 percent for the latter part of 1980.

Exchange Sales Up

Under such auspices, it would be of little surprise if sales of automotive parts and accessories in the military showed the same dismal picture. Yet AAFES and NAVRESSO both report steady sales and are forecasting some (albeit slight) sales increases.

AAFES, which in 1979 started a worldwide common stock assortment and included automotive parts into its warehousing program, expects to take in $83 million in FY 1980, and $95 million in FY 1981.

Navy exchanges hope to see sales for automotive items go from $29 million in FY 79 to $31 million for FY 80.

In both cases, projected increases may just be enough to offset the effect of inflation and across-the-board price increases for the largely steel- or petroleum-based automotive items. But staying on a par with inflation these days is nothing to sneeze about.

It is hard to say what accounts for the reasonable success story of exchange automotive departments, but AAFES' buyers are confident that military car owners are quite concerned about the upkeep of their cars, moreso perhaps than their civilian counterparts. "The customers are really concerned about their cars," AAFES automotive merchandising specialist Walter Knott told MILITARY MARKET recently.

Bill Ferguson, NAVRESSO's automotives buyer, also pointed out that exchange automotive store items can be a pretty good deal for shoppers. In the tire area, for instance, customers can expect "reasonable savings" — and reasonable savings are important when non-deferrable repairs have to be made. It can also be speculated that in the military environment, where not being on time can be a punishable offense, people tend to make sure that their cars are at least operational when needed. "People do what they can," Ferguson said, although he added that 75 percent of all cars currently on the road are in need of some maintenance.

While the military retail market looks brighter than its civilian counterpart, product mix, product types and product competition are the same in both markets.

A Sticky Commodity

Volume leaders in both are motor oils, of which Navy exchanges commonly stock about four — **Pennzoil**, Quaker State and two other, usually local, brands — to hold down inventories. AAFES stores show a similar assortment, and also include a budget oil which people "buy like eggs" because of its low price and availability,

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AAFES merchandising specialist Walter Kania told MILITARY MARKET.

Some Navy stores, in particular on the West Coast (where oil refineries exist in greater numbers) even sell recycled or re-refined oils.

Re-refined oils are made from used motor oil which has been cleared of all impurities, additives and contaminants, and which performs as well as new motor oil. Compared with "new" oils, they are less of a drain on the nation's oil imports: one gallon of old oil results in 85 to 90 percent recycled oil, while one gallon of crude oil is needed to yield approximately five percent "new" motor oil, experts in the re-refined oil industry told MILITARY MARKET.

Altimeter
200 ft.
DIV

ALTIMETERS, compasses and other gadgets are heavily promoted for Father's Day. Altimeter by Taylor Instruments.

Yet re-refined oil has been under a lot of pressure for awhile. It was subject to an excise tax, and the recycling technology had to be constantly updated to keep up with the increasing sophistication of motor oils When put on the market, these oils also had to carry a label which read "Made from previously used oil," a label most customers did not find too appealing.

New legislation and less severe labeling restrictions have altered that picture somewhat, although exchanges are not yet actively in the business of collecting used oil. "They don't encourage people to bring their waste oil," NAVRESSO's Ferguson said, although most exchanges have holding tanks with 500 to 1000 gallon capacities. Three years ago Navy exchanges even had to pay re-refiners to come and pick up the used oil, but now they receive small amounts of money for it.

While customers have the option of bringing their oil to other collecting places, "most people don't try to find out where they are," AAFES' Kania said. Part of such indifference lies in the fact that oil — used oil in particular — is dirty and messy.

To help reduce the mess that oil transports cause, some companies have marketed their oil in bottles. "It is gaining more and more popularity," Kania said, although NAVRESSO's Ferguson reported that Navy stores seldom sell bottled oil.

Popular with AAFES are also second generation oils, oils with additives that promise better gas mileage and car performance. For NAVRESSO, multigrade oils are the most popular item, but Ferguson did not see much growth in graphite-added oils. "They sell, but they are not the greatest," he said. "They don't set the world on fire."

Additives' costly chemicals not only jack up the price of motor oil, they can also darken its color — as graphite does — and turn customers off psychologicly. "It looks dirty," Ferguson said.

In addition, there are problems involved in combining the correct amounts of additives for given oil types. Quaker State recently recalled its DeLuxe 10W-40 and Super Blend 10W-30 motor oils that were manufactured between November 13 and December 23 of last year. At temperatures below zero degree Fahrenheit, the additive used in the oil during this production period thickens and prevents lubrication of internal combustion engines.

Exchange services have removed these oils from their shelves.

Radials Grip Market

Problems with tires are of a different nature, both for manufacturers/retailers and customers.

Tire sales nationwide are going down, in large part because of the growing popularity of radial tires, which last up to three times as long as regular tires, a **Firestone** spokesman said. Their market share in 1979 was 55 percent for both the new and the replacement market, and is expected to jump to 65 percent in 1981. This popularity has forced tire manufacturers to shift their emphasis to the production of radial tires in order to stay afloat in a "business that has always been competitive," the Firestone spokesman said.

For customers, the radial tire popularity means higher prices unless they are willing to settle for the cheaper-priced bias-ply tires or even retreads. AAFES exchange customers will have to choose the former since "we don't purchase radials" and don't feature retreads, AAFES' Knott said. All-weather tires, ranging between $40 and $75, are the most popular in Navy automotive departments. While Navy exchanges recap tires, they do not carry retreaded tires. "We won't do that under any circumstances," buyer Ferguson told MILITARY MARKET.

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AUTO AFTERMARKET

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New Power in Batteries

The greater sophistication witnessed in motor oils and tires also extends to other automotive parts and accessories. In the battery area, a new development started with maintenance-free batteries, which first came out in 1975. Common to all maintenance-free batteries is the fact that they do not require any "addition of water during their normal service life," a **Prestolite** spokesman told MILITARY MARKET. While many maintenance-free batteries are completely sealed, many manufacturers now produce units which can be opened if necessary.

Maintenance-free batteries are sold at premium prices, about 20 to 25 percent over the price of water-added batteries. Yet their popularity is strong despite high price points. The market share for maintenance-free batteries is currently pegged at 65 to 70 percent by the Battery Council International. It is expected to reach 75 to 80 percent penetration, at which point there will be market saturation, a Council spokesman said.

Their popularity could also boost currently lagging sales figures. Unofficial projections for nationwide shipments for 1981 are 52.5 million, up some 2.4 million over 1980. This optimism is based on the fact that the 1980/81 winter has hit some areas of the country quite hard, and distributors in Northeastern states have already been flooded with requests for new battery shipments, the Council spokesman said.

In addition, 1978 was a record year for new car sales — and batteries in these cars have now reached a point where they need to be replaced. Yet batteries are "a commodity you don't think about replacing until the car doesn't start," the Council spokesman told MILITARY MARKET. Retailers nationwide may soon be feeling the same run on sales already experienced in the Northeast.

For AAFES automotive departments, such a "run" could lend impetus to the worldwide battery program that went into effect at the end of February. Before that date, AAFES headquarters did not buy or distribute batteries, leaving individual exchanges with different types of merchandise. This proved to be difficult for customers who, when moving from one area to another, often found that they could not trade in their old batteries when buying a new one. The new program will change all that; it has been successfully tested in the Alamo region since March/April 1980.

Navy stores have traditionally taken in old batteries when new ones were bought. "The price (of a new battery) is based on the turn-in," Ferguson told MILITARY MARKET. He added that Navy exchanges will not sell lifetime batteries, since some companies have experienced difficulties with their seal-tight units.

If 1978 cars are now beginning to show the first signs of wear and tear, the whole auto aftermarket may be in for better times. The harsh winter (as well as the very hot summer which preceded it in most parts of the country) may also prompt DIYers to overhaul their cars this spring

The ultimate silver lining, however, would be a change in the general economy. "We expect 1981 to be marginally better than 1980," a spokesman for the Motor and Equipment Manufacturers Association told MILITARY MARKET. "It will be even better when the interest rates fall below 12 percent."

For exchanges, which seem to have weathered the current malaise, this could be good news indeed. (MM)

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THE harsh 1980/81 winter not only caused damage to car undersides, but also led to accident-induced dents and scratches. Motorists may find smaller repair items useful. Auto trim adhesive by Woodhill.

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Military Market INDEX

COMMISSARIES

		NOVEMBER			YEAR-TO-DATE		
		CY'80	CY'79	% CHANGE	CY'80	CY'79	% CHANGE
AIR FORCE	CONUS	$122,882	$111,614	+10.1	$1,297,688	$1,196,286	+8.5
	OVERSEAS	25,065	22,946	+9.2	265,829	234,918	+13.2
	TOTAL	147,947	134,560	+10.0	1,563,517	1,431,204	+9.2
ARMY	CONUS	92,664	86,112	+7.6	974,792	904,732	+7.7
	OVERSEAS	28,392	25,792	+10.1	301,392	266,738	+13.0
	TOTAL	121,056	111,904	+8.2	1,276,184	1,171,470	+8.9
NAVY	CONUS	47,573	44,788	+6.2	508,278	477,370	+6.5
	OVERSEAS	5,719	5,386	+6.2	62,213	56,826	+9.5
	TOTAL	53,292	50,174	+6.2	570,491	534,196	+6.8
MARINES	CONUS	10,065	9,087	+10.8	105,084	97,361	+7.9
	OVERSEAS	154	160	-3.8	1,663	1,660	+0.2
	TOTAL	10,219	9,247	+10.5	106,747	99,021	+7.8
COAST GUARD	CONUS	483	400	+20.8	5,054	4,500	+12.3
	OVERSEAS	182	154	+18.2	1,451	1,435	+1.1
	TOTAL	665	554	+20.0	6,505	5,935	+9.6
ALL COMMISSARIES	CONUS	273,667	252,001	+8.6	2,890,896	2,680,249	+7.9
	OVERSEAS	59,512	54,438	+9.3	632,548	561,577	+12.6
	TOTAL	$333,179	$306,439	+8.7	$3,523,444	$3,241,826	+8.7
GROCERY STORES	U.S.[1]	$18.067 bil.	$16.598 bil.	+8.8	$192.497 bil.	$173.389 bil.	+11.0

EXCHANGES

		NOVEMBER			YEAR-TO-DATE		
		CY'80	CY'79	% CHANGE	CY'80	CY'79	% CHANGE
AAFES	CONUS	$214,627	$183,377	+17.0	$1,993,517	$1,759,958	+13.3
	OVERSEAS	146,061	130,526	+11.9	1,444,611	1,264,968	+14.2
	TOTAL	360,688	313,903	+14.9	3,438,128	3,024,926	+13.7
NAVY	CONUS[2]	94,107	86,434	+8.9	873,648	774,764	+12.8
	OVERSEAS[2]	32,205	28,057	+14.8	321,941	296,146	+8.7
	TOTAL[2]	126,312	114,491	+10.3	1,195,589	1,070,910	+11.6
MARINES	CONUS	27,684	24,553	+12.8	254,669	228,638	+11.4
	OVERSEAS	3,712	3,233	+14.8	37,751	33,194	+13.7
	TOTAL	31,396	27,786	+13.0	292,420	261,832	+11.7
COAST GUARD	CONUS[3]	5,488	5,027	+9.2	52,017	50,351	+3.3
	OVERSEAS[3]	691	634	+9.0	6,558	6,352	+3.2
	TOTAL[3]	6,179	5,661	+9.2	58,575	56,703	+3.3
MAIL ORDER	CONUS[4]	1,053	727	+44.8	8,100	7,037	+15.1
	OVERSEAS[4]	3,584	3,562	+0.6	33,968	36,352	-6.6
	TOTAL[4]	4,637	4,289	+8.1	42,068	43,389	-3.0
ALL EXCHANGES	CONUS	342,959	300,118	+14.3	3,181,951	2,820,748	+12.8
	OVERSEAS	186,253	166,012	+12.2	1,844,829	1,637,012	+12.7
	TOTAL	$529,212	$466,130	+13.5	$5,026,780	$4,457,760	+12.8
DEPARTMENT STORES	U.S.[1]	$9.690 bil.	$9.367 bil.	+3.4	$79.863 bil.	$75.197 bil.	+6.2

AAFES and Navy Exchange sales have been adjusted for 1980 and 1979 to reflect the breakout of mail order sales.

Individual figures may not add to totals, due to rounding. All sales are expressed in millions (add 000), except for grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges and exchange sales include concession volume.

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[1] Source: U.S. Department of Commerce.

[2] Does not include sales of ship stores.

[3] MM estimate, based upon official data.

[4] Includes consolidated sales for all services, including Coast Guard. Data prior to July 1980 was extracted from respective AAFES and NAVRESSO mail order catalogs.

Military Market

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The Beer Biz: Barreling Along

PLUS: Germany... A Whole Different World

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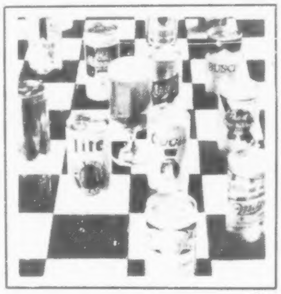
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TISSUES and WRAPS FOIL INFLATION

All of these energy-intensive wrap products have experienced price hikes in the past few years, but sales haven't slipped, and manufacturers continue to battle for bigger slices of this $110 million pie.

By

John A. de Ferrari

PAPER TOWELS and toilet tissue may be among the most mundane products sold in the commissary, but for manufacturers they represent an enticing challenge. While there are only a handful of major companies in the field, competition among them is fierce, and the products are highly promoted both through couponing and media advertising.

Paper products are a high turnover category. They are disposable and virtually everyone uses them. But they are also a difficult item to market by virtue of their very simplicity. In other words, a roll of paper is a roll of paper and nothing more. All the products on the market are of at least the same minimum quality, as one trade association official pointed out to MILITARY MARKET. After that point it's entirely up to the individual shopper's personal tastes to decide which product seems to offer the greatest "value."

Some shoppers put a high priority on "quality" in paper goods. They want the softest bathroom tissues, the strongest paper towels, and the prettiest decorator facial tissues. What they percieve to be the best in each of these categories is likely to be as dependent on advertising and brand reputation as on the actual merits of the product. Meanwhile, other shoppers couldn't care less about claims for softness and strength; they figure everything available can get the job done, so they just buy what's cheapest. Because of this diversity in customer attitudes paper product manufactures find it difficult to pointout clearcut trends. But most observes concur that any real growth in paper products is going to come in the lower-priced segment of the category.

"In roll paper products [toilet tissue and paper towels] we do see a definite trend toward the lower-priced products," a spokesman for the **Kimberly Clark Corporation** told MILITARY MARKET. "The high quality segment of the market is no longer growing. Unit volume growth is now in the economy lines."

Kimberly-Clark, like other paper products manufacturers, has structured its product lines to correspond to the two basic tiers of the personal paper products category. The company's Kleenex line caters to the quality-minded shoppers, while its recently introduced Hi-Dri line serves the budget-oriented customers. While the Hi-Dri line is being expanded, Kimberly-Clark's premium-priced Teri paper towels, which had not been growing, were recently withdrawn from the market.

The Kimberly-Clark spokesman differentiated between the roll-paper market and the market for facial tissues. "Facial tissues have not shown the leaning towards economy lines that roll paper products have," he said. Facial tissues are kept on display in the home and remain in the original container until the last tissue is used. For this reason, the spokesman suggested, premium facial tissues remain important to customers.

A source at **Scott Paper Company** concurred that "over the last two years the price-oriented segment of the paper products market has gained a modest share." But the source explained that paper products, being relatively low-cost items, are not an important part of a shopper's budget and thus are not as susceptible to "price resistance" as other grocery items.

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Paper, Film, and Foil

(Continued From Page 17)

In the bathroom tissue category, Scott offers Cottonelle and Soft And Pretty as "high quality" items and Waldorf and ScotTissue as "low-price" items. Scott's repositioning of its Waldorf, ScotTissue, and ScotTowel lines, which used to be premium products, as low-price items has regained for the company a slight edge over **Procter and Gamble** as the sales leader in this category, according to a recent *Business Week* report. Procter and Gamble's Charmin toilet tissue and Bounty paper towels had been leading the category and continue to offer fierce competition for Scott.

While the battle for market shares has helped to keep prices from soaring too wildly, industry observers say the cost of wood pulp may also keep prices from rising sharply in 1981. Wood pulp's cost, which has been climbing in past years, is expected to "moderate" this year, according to some reports.

Still, sources in the industry remain somewhat skeptical. "Pulp is only one element of the cost mix for paper goods," one source explained. "The energy-intensive aspect of paper manufacturing could more than offset the moderation in pulp prices." Among the sources MILITARY MARKET spoke with, the general consensus was that the price of personal paper products is likely to rise at about the same rate as inflation.

Too Good To Be True

Plastic film products, including plastic wrap and bags, have been enjoying a growth pattern that is almost too good to be true. The category is "just exploding," one marketing expert said. "The growth rate of plastic bags is currently 20 percent — well above inflation. Flat film is going up at an 11 percent rate, which is also above inflation."

Another source told MILITARY MARKET, "For the last three years we have been forecasting plastic wraps as a flat market, but it never actually happens that way. The growth never ceases to amaze us."

The first source traced the cause of the unending growth to the economy. "With food costs becoming dearer, people want to preserve what they buy more efficiently and more effectively than they used to," he said. "Compared to the cost of food itself, the cost of preserving it is minute."

The **Dow Chemical Company** is one of several manufacturers that have responded to the consumer demand for plastic wraps with new products, line extensions, and strong promotional activity.

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Paper, Film, & Foil Products Sales in Commissaries, CY 1979

	DOMESTIC SALES	OVERSEAS SALES	WORLDWIDE SALES
TOTAL SALES:	$89,240,900	$20,933,000	$110,173,900
Lunch & Sandwich Bags	2,766,500	648,900	3,415,400
Plastic	1,687,600	395,800	2,083,400
Paper	1,078,900	253,100	1,332,000
All Other Size Bags	10,360,900	2,430,300	12,791,200
Plastic	10,117,400	2,373,200	12,490,600
Paper	243,500	57,100	300,600
Roasting Bags & Wraps	267,700	62,800	330,500
Plastic Wrap	2,409,500	565,200	2,974,700
Wax Paper	713,900	167,500	881,400
Freezer Items	446,200	104,700	550,900
Facial Tissue	10,343,000	2,426,200	12,769,200
Toilet Tissue	22,399,400	5,254,200	27,653,600
Paper Towels	18,205,200	4,270,300	22,475,500
Napkins	6,425,300	1,507,200	7,932,500
Paper Table Accessories	178,500	41,900	220,400
Paper Plates & Bowls	3,748,100	879,200	4,627,300
Cups & Refills & Plastic Glasses	3,569,700	837,300	4,407,000
Aluminum Foil	6,603,800	1,549,100	8,152,900
All Other Paper & Household Wrap Supplies	803,200	188,200	991,400

SOURCE: Research Department, Army Times Publishing Company

Paper, Film, and Foil

(Continued From Page 18)

Dow's Saran Wrap has been positioned for use both with microwave ovens and as a freezer wrap, a source at Dow told MILITARY MARKET. The company's Ziploc bags, which offer a complete seal for food (or anything else), have been growing substantially due to their convenience factor and are currently part of a theme promotion in AFCOMS, according to the company source.

Dow is also expanding the Ziploc line to include a new thicker-walled freezer storage bag. The freezer bag is already being offered to the military trade, and it is being supported by coupons printed specifically for the commissaries. The coupons are being handed out in commissary stores.

"Our volume for freezer items has been growing at a faster rate in the military than in the commercial market," the Dow spokesman said. He added that because of the commissary systems' increasing professionalism, "we are willing to spend more money on the commissaries than we did in the past."

The larger plastic storage bags — trash can liners, garbage bags, and leaf bags — have been doing just as well as the smaller bags. Strength is the most important quality factor in this market. The goal is to produce affordable bags that can be crammed full of refuse without tearing or poking through.

One approach to increasing the strength of plastic bags is to increase the number of "plys" they are made of. **Union Carbide Corp.** recently introduced three-ply Glad trash bags, for instance, to replace their older two-ply product. With the three-ply system, the two outer layers are of one kind of plastic, designed to resist punctures, while the third layer, trapped between them, is made to resist tearing.

As is typical for this industry, the introduction of the new three-ply Glad bags was supported by a massive direct-mail promotion to 37 million households across the U.S.

A source at Union Carbide told MILITARY MARKET that the redemption rate for such coupons is significantly higher in the military market than in the civilian sector. Like other companies in this category, Union Carbide has been responding to requests from the resale systems for more POS materials and better tie-ins with commercial promos. Among the recent promotions for Glad bags have been a free frisbee offer, a "buy two, get one free" offer, and a Three-Ply theme sweepstakes offering a grand prize of $33,333.

GLAD
TRASH BAGS
3 PLY

GLAD'S new three-ply trash bags are typical of the trend towards tougher plastic bags that can be packed tightly.

One drawback to plastic wraps is that the resins they are made from are petroleum-based and accordingly continue to skyrocket in cost. "Resin prices will be increasing substantially in the next three to four months," one source said. Manufacturers, in turn, will have no choice but to pass the price increases along.

Despite the probable price hikes, no one in the industry is expecting any sharp turnaround in the growing consumer use of plastic wraps.

Bigger Is Better

Aluminum foil continues to be a favorite form of food wrap since it offers a number of qualities, such as ovenability, that plastic wrap can't provide. Again, the major pressure on this category comes from the economy, but shoppers aren't giving up aluminum foil in order to economize; instead they are buying and using the product much more wisely, according to one industry source.

"Shoppers are looking for the best unit price," a source at a major foil manufacturer told MILITARY MARKET. "This often means turning to the larger sizes of aluminum foil, which offer a better buy."

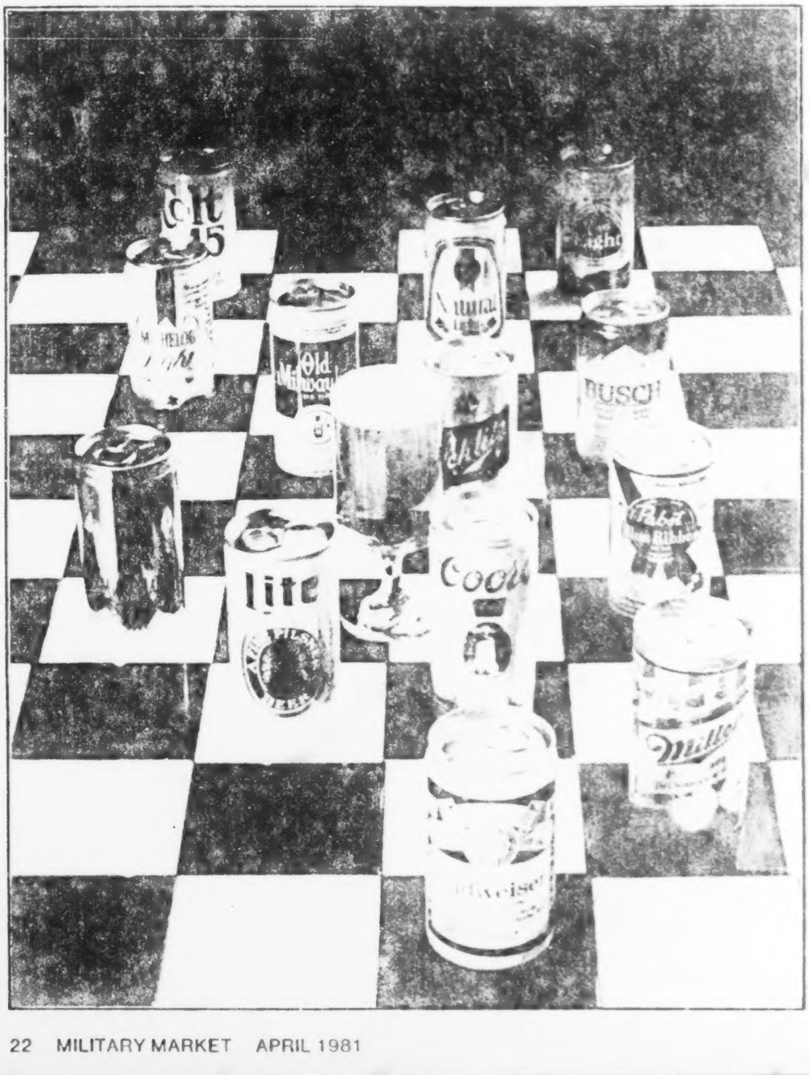
The trends in the market at large have been especially pronounced in the military market. One manufacturer reports that foil tonnage movement in general increased one to two percent in 1980, but in the military market movement was up at least five percent. Some of the larger sizes of aluminum foil saw as much as a ten percent tonnage increase in the military.

Effective merchandising techniques were pinpointed as one major reason for the military's success. Promotions such as couponing directed specifically at commissary shoppers have paid off not only for manufacturers, MILITARY MARKET's source said, but for the shoppers as well, who might not otherwise have been offered such good deals.

Beer Business Barrels Along

By Donna J. O'Neal

In ten years, beer will be the second most popular drink in America, right behind soft drinks, according to market analysts. Because of the growing popularity of all types of beers, exchanges can expect to do a booming business with brew for years to come. The question is, however, which brands and types of beers will remain favorites of beer drinkers. As large brewers fight for market dominance, small brewers are struggling to keep their heads above the suds, so to speak. Already the beer market has changed dramatically, and more market share changes are expected down the pike.



THERE'S A NEW BATTLE of the bulge — the beer belly bulge.

Beer marketers now are slugging it out to determine who will be the kings of the suds — kings because this is an area that probably never can be dominated by one single brewer. What once was a market that seemed to be dominated by benevolent l'il ole brewmeisters now is a hotly competitive area in which large scale brewers are going gunning with a vengeance for both their major and minor competitors.

It's enough to make one reach for a cool can of brew — which is just what the bewers of the world want us to do.

In the military market, beer has long been a popular beverage. This is easily understandable. With its ideal demographics — young, active men and women who tend to work in groups and socialize together — the military represents a prime beer drinking market.

As one resale spokesman told MILITARY MARKET, "This is where a good many of our young people learn to drink beer. And they often decide what brand or brands they'll be drinking for life. I'm still drinking the same beer I drank in the service," he said, "and that was 20 years ago."

But the beer market is not without its controversy and its clamour. First there is the issue of black marketing in the military. Then there's the controversy of resale systems being overcharged by beer companies. Also there is the question of whether it is detrimental for young people — as well as old — to imbibe large amounts of this admittedly low-alcohol-content beverage.

But be that as it may, beer is barreling into the hearts and stomachs of more and more Americans — a trend which undoubtedly will spill over into the military. Market analysts predict that in ten years beer will be the second most popular drink in the United States, right behind carbonated soft drinks.

These days Americans indeed are quaffing their share of the golden beverage. About 60 percent of all adult Americans drink beer. In 1980, per capita consumption of beer was 24.3 gallons for every man, woman and child in America, according to a spokesman from the U.S. Brewers Association.

On-Base Military Beer Sales for CY 1979

	Clubs & Packages Stores	Exchanges
ConUS	$ 72,740,197	$ 94,997,676
Alaska	$ 2,316,200	$ 2,717,300
Hawaii	$ 8,669,500	$ 4,311,900
Europe	$ 23,246,027	$ 26,953,182
Pacific (Far East)	$ 18,085,318	$ 16,550,200
Misc. O'seas Areas	$ 4,338,650	$ 3,782,902
TOTAL	$129,395,892	$149,313,160

Sales of beer at all outlets totaled $278,709,052

Source: Army Times Publishing Co. Research Dept

This was up from a per capita consumption rate of 22.7 gallons in 1977. In order to give each American his or her desired share of beer, domestic brewers poured forth 173.25 million barrels of brew in 1980. That's a lot of beer, because each barrel contains 31.5 gallons.

Beer in Exchanges

In 1979, exchanges sold about $149 million worth of beer, worldwide, compared with combined clubs and package store sales of $129 million, worldwide, according to figures compiled by the research department of the Army Times Publishing Co.

Indeed the military sells its share of beer, despite the somewhat low profile beer generally enjoys in the military. "There are restrictions," one military resale executive told MILITARY MARKET. "Some base commanders don't like the idea of the troops doing a lot of drinking; others really don't care," the source said.

This low profile is most apparent in the way beer actually is marketed. Unlike the average civilian convenience store, which is a garden of beer (and wine) point-of-purchase material, these sales aids generally aren't in abundance in military food lands, where the majority of exchange beer sales take place. "We'd be snowed under if we used a lot of this material," the spokesman said.

Resale executives agree that the military market closely emulates the civilian market in terms of beer preferences. The same trends, growing sales of light, heavy and super premium beers, are apparent in both sectors.

Overseas beer sales are somewhat different because the services carry a limited number of brands. For example, AAFES buys only the top six or seven beer brands for its offshore stores, partly because of the limitations importing implies and partly because beers indigenous to other countries are quite popular with the troops. Offshore brewers also are aggressive in marketing the products with Americans stationed in their countries.

In Germany, for example, some brewers will deliver beer to service people's houses, much like the milkman delivering dairy products. In the Philippines, domestic beers have not been able to outstrip totally the popularity of San Miguel, whose parent corporation is headquartered in the Republic of the Philippines. Because the systems realize that foreign beers are popular, there are literally hundreds of contracts with small offshore brewers.

At the same time, distributing to the military overseas is a major export market for most domestic brewers, who with the exception of one or two major brewers, don't attempt to invade other countries. Because of transportation limitations, most beer sold overseas is packaged in cans — almost 90 percent, compared with about 60 percent packaged in cans for the overall domestic market, according to an AAFES spokesman.

Domestic exchanges offer a wider range of American-brewed beer than their offshore counterparts. Usually national brands and several local brands are available in exchanges. Although resale executives couldn't pinpoint any regional pattern in sales, they agreed that the top beer drinking markets in the civilian sector probably also are the leading beer drinking areas in the military. California is the leading beer drinking state in terms of gallonage, followed by Texas. Since both states enjoy fairly warm climates, this is not surprising.

AAFES' 1980 sales figures for two regions do show something of

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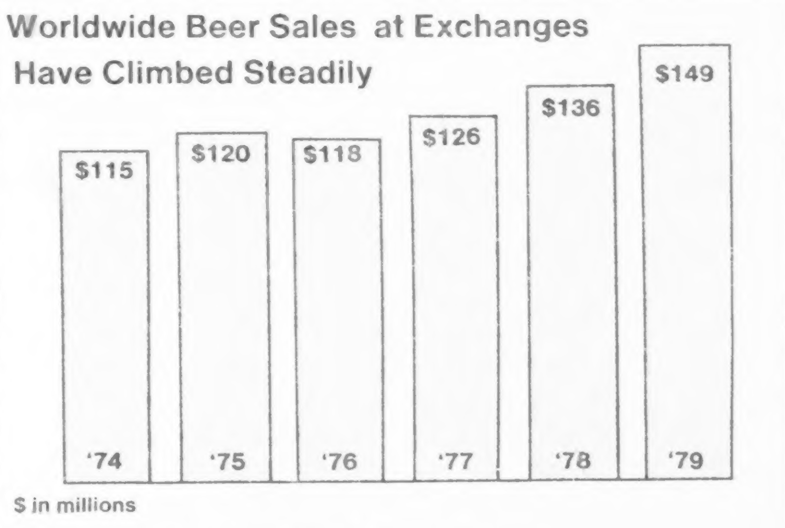
Worldwide Beer Sales at Exchanges Have Climbed Steadily

$ in millions

Source: Army Times Publishing Co. Research Dept.

BEER

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a pattern. The Southeast Exchange Region's sales for 1980 were $14.7 million, while the Golden Gate Exchange Region's beer sales for 1980 were about $9 million.

It also is noteworthy that exchange sales of beer managed to outstrip both club and packaged store sales, combined, in every region except Hawaii and the Pacific, according to Army Times Publishing Co. statistics. During 1979, in Conus, exchanges were ahead by $24 million compared with combined sales in clubs and package stores.

In general, the outlook for beer sales in the military appears rosy because of the location of major bases in the sunbelt — and a hot climate always increases sales of cool beverages, including beer.

Whose Brews?

While many Americans are sipping, chugging and gulping large quantities of brew, it is certain that not everyone is drinking the same kind or the same brand of beer. There are about 200 domestic brands of beer sold in the United States today, along with another 200 imported brands. Clearly, there's a brew for every taste.

But somewhat surprisingly, a rather limited number of companies and brands dominate the lion's share of the market. According to a U.S. Brewers Association spokesman, the top six domestic brewers account for 83 percent of all beer shipments (See chart opposite). While the small regional brewing companies continue to exist, their futures do not appear to be nearly as bright as the golden beverages they produce.

One reason why major brewers have been able to wage such a successful battle against their regional counterparts is that they have learned that product segmentation is the name of the game. Rather than operating as one- or two-beer brewers, they have determined that in such a diverse country as the United States, diverse tastes are bound to exist. So the large brewers' solution has been to introduce a wide range of beers to fit the many types of beer drinkers in America — offering something for everyone while offending as few people as possible.

AAFES 1980 Average Monthly O'seas Beer Shipments

Pacific	255,998 cases
Europe	243,727 cases
Alaska	26,827 cases
TOTAL	526,552 cases
Projected total for year:	6,318,624 cases

Source: AAFES

And it has worked. **Anheuser-Busch Co.**, the top brewer in in the United States in terms of beer shipments, has pioneered in product segmentation. A company spokesman says that this has been the basis for the brewer's continuing success. The company has been the leading brewer in the United States for the past 23 years, according to an *Advertising Age* report.

Anheuser-Busch (A-B) has six brands in circulation now — each falling into a different segment. These are: Michelob (super premium), Budweiser (premium), Natural Light (regular light), Michelob Light (super premium light), Busch (regional mid-priced entry) and Wurzburger Hofbrau (import).

The A-B spokesman told MILITARY MARKET that based on its marketing experience in these six segments, the company has a feel for where the beer market is going — and not surprisingly it is going in many different directions.

Premiums, such as A-B's flagship brand Budweiser, **Miller Brewing Co.**'s Miller High Life, **Pabst Brewing Co.**'s Pabst Blue Ribbon and **Adolph Coors Co.**'s Coors' Banquet brands, continue to account for the majority of sales — more than fifty percent, the A-B spokesman said. Projections are that premium beer sales will increase about three percent a year in this decade.

1980 Beer Production Levels from Leading Brewers

Anheuser-Busch Inc. —	50.2 million barrels
Miller Brewing Co. —	37.3 million barrels
Pabst Brewing Co. —	15.1 million barrels
Jos. Schlitz Brewing Co. —	14.9 million barrels
Adolph Coors Co. —	13.8 million barrels
Heileman Brewing Co. —	13.3 million barrels
	144.6 million barrels*

* 83% of all U.S. brewery production

Source: Modern Brewery Age

The real growth segments are light beers and super premiums, according to the A-B source. Light beers, for example, are growing at about three or four times the rate that the overall industry is growing; they are increasing at a rate of about 14 percent a year, while the industry as a whole is growing at a steady pace of about 3.5 percent a year.

At this time light beer shipments account for about 12.5 percent of all beer shipments, up dramatically from just a few years ago. The five most popular light beers are: Miller Lite, A-B's Natural Light and Michelob Light, Coors Light and Olympia Gold, according to a *Wall Street Journal* report.

Super premiums, such as A-B's Michelob and Miller's Lowenbrau, are expected to increase in sales in part because of the number of new entries in this segment. For example, Coors recently introduced a super premium called Herman Joseph's 1868, and Pabst increased the distribution of its 40-year-old super premium, Andeker, from just Milwaukee to the entire midwest. One reason the super premium market is heating up is that brewers are learning that profitability is just as important as brewing to full plant capacity, and super premiums are quite profitable, the A-B spokesman explained.

As far as the import segment is concerned, the A-B source said that after five years of clipping along at a fast pace, "imports fell out of bed last year." In the late 70's, imports were growing by as much as 25 - 40 percent a year, but in 1980, this rather small segment of domestic beer sales grew only three percent. Imports account for about 2.6 percent of the domestic beer market now. "This may suggest a direct influence of a weak economy during which people were trading down," he said. European brands were more affected by this sales slowdown than the Canadian and Mexican import brands.

Heady Competition

In the decade of the 70's the beer market began to go through dramatic changes. At the outset of the decade the market was a fractionalized area in which a large number of brewers were operating — most on a regional basis. But in just those ten tumultuous years, 53 brewers disappeared, while a handful of national brewers took over the market.

It was the lowly can that began this shift to national brewery dominance. Cans are easily shipped by rail, ship or plane all over the world and they do not have to be returned to the brewer.

The acquisition of breweries by major corporations, able to pour huge sums of money into marketing strategies, also changed the market quickly. The wise smaller brewers woke up, got the message and fought back. The others simply fizzled out.

For example, in 1970, **Miller Brewing Co.**, then the seventh largest brewer, was acquired by **Phillip Morris Inc.** Backed by the parent corporation's marketing expertise, Miller moved up to second place by the end of the decade. One thing that Miller did was go after the blue collar market with vigor.

Another thing Miller did was introduce Miller Lite in 1975. The company was the first to introduce such a version of beer, and it was a wise move. Miller Lite now is the third most popular beer in America. Last year Miller Lite experienced significant sales increases.

A couple of regional brewers who have been able to keep their heads above water were **Adolph Coors Co.** and **Pittsburgh Brewing Co.**

Coors, which was knocked into fifth place from fourth by the marketing wars of the 70's, began to emulate its more successful counterparts in order to stay viable. It now has moved back to fourth

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To Beer Or Not To Beer

RESALE EXECUTIVES face something of a dilemma when deciding just how much to promote beer. While the cool brew manages to promote itself fairly effectively, national media wars also have pushed the idea of drinking a beer high in the minds of many Americans.

These media campaigns probably do a lot more than the most aggressive promotion that exchanges could offer. The campaigns, quite simply, are clever, amusing and often entertaining. Men get to see their favorite athletic stars sporting a brew. And women, not to be overlooked as viable beer drinkers, also can enjoy oogling various mounds of macho exclaiming over the qualities of their preferred suds.

National companies even have gone as far as to conduct live taste tests to prove that their beers can stand up to the competition. Not only is this idea quite brave — the tests *could* fall flat, to a coin a phrase — but also they allow the average American to see other average Americans drinking beer and getting paid for it. And these off-the-street judges can add a lot of realism to beer advertising.

This does not, however, answer the question of how much promotion is a good idea in the military. Most resale spokesmen say that promotions basically are limited to an occasional VPR, two-for-one sale or such. Store openings and holiday sales often are the occasions for such promotions.

There is more that can be done to innocuously promote beer and use it as a backdrop for a wider ranging promotion. For example, at Ft. Leavenworth, Kan., last fall a two-day Oktoberfest generated $17,000 in retail sales and another $700 in food sales.

Since the promotion had a German theme, beer was an obvious retail item to be included. A Ft. Leavenworth exchange spokesman reports that the truckload sale of beer was quite popular. Other items that enjoyed brisk sales were soda, tires and certain clearance items.

This type of promotion, which carries a theme and includes other products, seems like a winning way to promote beer sales, while not actually pushing beer on the public. But to beer or not to beer still is the question.

Wine Not

ONE THING that exchange beer sales have going for them is that they are not in competition with the other popular light alcoholic drink — wine. Exchanges are restricted from selling wine, at this time. In the late 60's and early 70's some exchanges were in the wine business, however.

Both beer and wine have been growing in popularity with Americans, while sales of distilled spirits have been flat and slowly decreasing, according to market reports.

Wine, however, is not nearly as popular with Americans as beer is. In 1979, the per capita consumption rate of wine, for every man woman and child in the United States was about 2.2 gallons, contrasted with a 24.3 gallon rate for beer, according to Maxwell reports. Wine sales were up 10 percent in 1979 over 1978.

American wines are experiencing a sales increase — up about 14 percent in 1979, compared with a sales decline of about two percent for foreign wines, in the same year. **E. & J. Gallo** is the top wine producer in terms of gallonage production.

Because wines increasingly are consumed with meals, there are more women working, Americans generally are exposed to wine drinking more now and there is an abundance of popularly-priced wines; consumption rates are expected to continue their rise in this decade, market analysts predict.

BEER

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place. Coors increased its offerings from just one beer to a light version, a super premium, a premium, and now is courting a couple of import brands. And Coors intends to eliminate the word regional from descriptions of it as a brewer. The company plans to enter the East, and is increasing its brewing capacity to do so. Coors long has been spirited into eastern markets, anyway.

In the East, **Pittsburgh Brewing Co.** also is holding its own in a city where 38 brewers have shut down operations for good in the last couple of decades. Pittsburgh Brewing has become profitable, after a decade in the red. And it has followed the familiar marketing tactics of product segmentation and marketing muscle. Iron City Light was introduced in the late 70's by Pittsburgh Brewing and now has about 67 percent of the light beer sales in the company's market area. Pittsburgh Brewing also rolled out a moderate-priced malt liquor — Wild Mustang — that some market analysts think could be a boon because it offers a stronger brew than typical beer for less money. The company is the 13th largest brewer in America in terms of production.

Two other regional brewers who are holding their own nicely are **Stroh Brewing Co.** and **Olympia Brewing Co.** These two companies are neck and neck, in seventh and eighth places respectively. They have enjoyed success, some say, because part of their marketing strategy has been to court more than just the blue collar market by touting their brews as high class.

One thing regional brewers have going for them is that they can offer much heartier, tastier, full-bodied beers than their national counterparts. The national brewers, like television producers, must try to satisfy the masses with the least offensive fare possible. But the question is whether this can counter the handicaps caused by smaller production capacity, ad budgets and distribution forces than the national competitors have at their disposal.

On the national scene, things continue to change as well. Last year Pabst Brewing Co. managed to nudge **Jos. Schlitz Brewing Co.** out of third place and into fourth. But market analysts say that this most likely was due to the bad year Jos. Schlitz had. Pabst experienced a production decline last year itself, most of which was for its flagship brand, Pabst Blue Ribbon. It is the fifth most popular beer in America now. But other of the company brands, including Olde English malt liquor, Red, White & Blue, and Blitz somewhat offest the slippage of Blue Ribbon.

Jos. Schlitz Brewing Co.'s flagship brand, Schlitz, was off last year for the fourth straight year in a row. The company's Schlitz Light also experienced a sales slippage last year. But on the bright side, Schlitz Malt liquor had sales increases, as did the company's Old Milwaukee. Schlitz is test marketing two light beers now — Tribute and Old Milwaukee Light. It also has an import beer — Erlanger — on the market.

Then there's number one, Anheuser-Busch. It's flagship brand, Budweiser, the number-one beer, was the only major brewer's primary brand to experience a significant sales increase last year. Michelob Light also was up in sales. But Natural Light beer production actually was down last year. To counter this, however, A-B will begin test marketing Budweiser Light this spring.

How does A-B remain the king of the brewers? The company operates as a multi-regional brewer. "We don't look at the United States as one large market," the A-B spokesman said. "We see it as 18 separate markets, determined geographically. That's because we realize that our competition varies from region to region. For example, we know that in the Great Lakes region, Budweiser's prime competitor is Pabst Blue Ribbon, but on the West Coast it's Coors and in other areas it's Miller High Life."

A-B also is moving into the international market, including the beer drinkers' haven — Europe. It's a bit like taking coals to Newcastle, but the company believes that this will be a successful move. "Just think," the spokesman said, "soon American military personnel will be able to walk into civilian bars all over the world and order a Bud."

1980 Domestic Beer Brand Market Shares

1. Budweiser — 19.4%
2. Miller — 13.6%
3. Miller Lite — 7.5%
4. Coors — 6.5%
5. Pabst Blue Ribbon — 6.4%
6. Michelob — 4.9%
7. Schlitz — 4.3%
8. Old Milwaukee — 2.3%
9. Busch — 1.6%
10. Michelob Light — 1.5%

Other Brands — 32.0%

Source: Maxwell Report

SPORTING GOODS

Barely Over The Net

By Susanne D. Williams

1980 was not the best year for sporting goods manufacturers and retailers, although exchange sales of sporting equipment scored surprisingly well. Military bestsellers were fishing and camping goods which are also excpected to reel in a good part of 1981 sales dollars. Overall, this year's merchandise selection will mostly be basic with some high-end items for tennis and golf.

WHILE THE ancient Greeks postulated *mens sana in corpore sano* — a sound mind in a sound body — and advocated sports as a means to improve people's mental capacities, today's promoters of sports are more concerned about its financial ramifications.

Sports today is big business, not only from the standpoint of brewers hawking their suds during televised games, but also from the viewpoint of makers of sporting goods. According to the National Sporting Goods Association, there are approximately 20,000 sporting goods dealers in the United States today — and that is not counting the number of mass merchants, department stores and exchanges that offer sporting goods as well.

Together they sold about $8 billion worth of merchandise in 1979 (not included are boats, recreational vehicles, snowmobiles and bicycles), the NSGA reported. Worldwide military sales figures for the same period were close to $74 million, according to the Army Times Publishing Co. Research Department.

These $8 billion translate into an army of tennis rackets, running shoes, fishing tackle, golf clubs and all the other paraphernalia sports-minded Americans need to pursue their favorite activities. The world of sports, after all, is a wide and diversified one that offers a myriad of ways to activate muscles and sweat glands.

Some of these have come and gone over the years. Running or jogging, for instance, has become a national craze over the last few years and driven millions of Americans into streets and parks. Soccer is another sport that only recently has gained popularity in the States, although it has been a way of life in many other countries for years.

Sports also offer something for every age, socio-economic and gender group, but the demarcation lines between them are slowly beginning to fade.

Contrary to the makers and sellers of sports equipment, sports enthusiasts are naturally less inclined to think in terms of dollars and cents. Instead, they are concerned with fitness, health and yes, even fun. And a touch of Greek philosophy still lingers on in the assumption that sports, in particular team sports, foster a spirit of healthy competitiveness and cooperation.

Recently, however, financial concerns have crept into the minds of sports-oriented people, too. The economic ills of the past two years have left their imprint on the sporting scene, prompting some people to exercise less or to postpone purchases of proper equipment, industry sources indicate. With a few exceptions, most sports are pursued on fields, tracks or in gymnasiums — and escalating gas prices have made trips to such places more costly and rare. In addition, inflationary trends have not spared the sporting goods industry, either. The result: fewer sports and less inclination to buy sporting goods.

Civilian Vs. Military

For 1980 this trend meant a "definitely not good year" for manufacturers and retailers of sports articles, a NSGA spokesman told MILITARY MARKET. Dollar sales were off by about five percent — and given last year's inflation rate, sales were off even more in unit terms.

By comparison, the military fared much better. NAVRESSO reports sales increases for 1980 of 6.8 percent over 1979 or total sales of $19.7 million. AAFES even recorded an 18 percent increase in 1980 over 1979; its combined sales — open order and warehoused items together — amounted to $45 million in 1979 and $55 million in 1980.

The difference between civilian and military sales is significant enough to search for its causes. Although many factors are at play, the economy seems to lie at the root of them all. While NSGA statistics include sales of currently unpopular, somewhat esoteric or high-priced items which are naturally low, military sales figures are generally based on the sale of fast-moving goods. Exchanges, after all, are not specialized sporting goods stores and usually only stock and sell popular items.

In addition, the prices offered for comparable merchandise is better in exchanges than in civilian stores, a **Wilson** spokesman told MILITARY MARKET. "That's the number one factor." Furthermore, civilian retailers suffer more from the current cost of money which leads to low inventories, less open-to-buy dollars — and consequently less sales. The military, on the other hand, operates "fairly aggressively," the Wilson spokesman said and, with its "fairly substantial promotion programs" manages to "move the merchandise through" to the customers. For the Wilson company that means that combined sales to both military resale systems run ahead of the sales for other accounts.

The "fairly substantial promotion programs" include AAFES sales events throughout the year as well as special sales for camping and fishing goods. According to an AAFES spokeswoman, camping sales will be held from April 23 to 26 in the Ohio Valley, Golden Gate (including Alaska) and Capitol Exchange Regions; fishing sales in all and camping sales in some other Con-US exchange regions were held in February and March. These sales, never conducted before, may be repeated next year to kick off another camping and fishing season, the spokeswoman said.

NAVRESSO often coordinates sales events with the sporting industry. Navy exchanges have Fishing Tackle sales, for instance, and also benefit from the special focus on certain sports provided by national associations through the distribution of p-o-p material and promotional programs.

Since the positive sporting goods sales picture is also linked to type and selection of merchandise, NAVRESSO plans to put more emphasis on basic items in 1981, try to avoid duplication of items and emphasize name brands. In addition, "1981 will be tighter in terms of SKUs with better in-stock inventory," NAVRESSO buyer James LoNano told MILITARY MARKET. (While AAFES sources could provide some sales figures for sporting goods, personnel were unable to comment in greater detail.)

A turn to basic items, MILITARY MARKET has found through discussions with trade organizations, manufacturers and resale personnel, does not necessarily mean lowest-priced items. As much as sports vary, so does the equipment needed — and bought — for it; as a result, the term basic pertains more to the type of merchandise people are likely to buy in 1981 rather than to just cheap stuff.

And buy they will, according to most sources. "1981 will definitely be an improvement over 1980," the NSGA spokesman said, although he expects "nothing dramatic, and no explosive growth."

The Diving Equipment Manufacturers Association expects 15 percent growth for 1981, based on sales written during recent trade shows. "We have an awful lot of optimism," a spokesman for the association said.

The American Fishing Tackle Association also expects increases after a slight slump in 1977-78, although "the rate of growth has slowed down since the early 1970s," a spokesman said.

The skiing industry, on the other hand, which is not only subject to the vagaries of the economy but also of the weather, has a slightly more gloomy forecast. "Sales for 1981 are projected to be $1 billion," a spokesman said, "though we are lucky if it will be $800 million."

And for the military system projections look continually optimistic. NAVRESSO has already mapped out its program to increase sales in 1981 at at least the same level as in 1980, and AAFES projects an approximately 15 percent increase to $65 million this year.

Increases, however, will not occur across the board since some categories perform better than others. The following provides a breakdown into various categories to highlight the peculiarities of each one as well as its sales potential in the near future.

Fishing

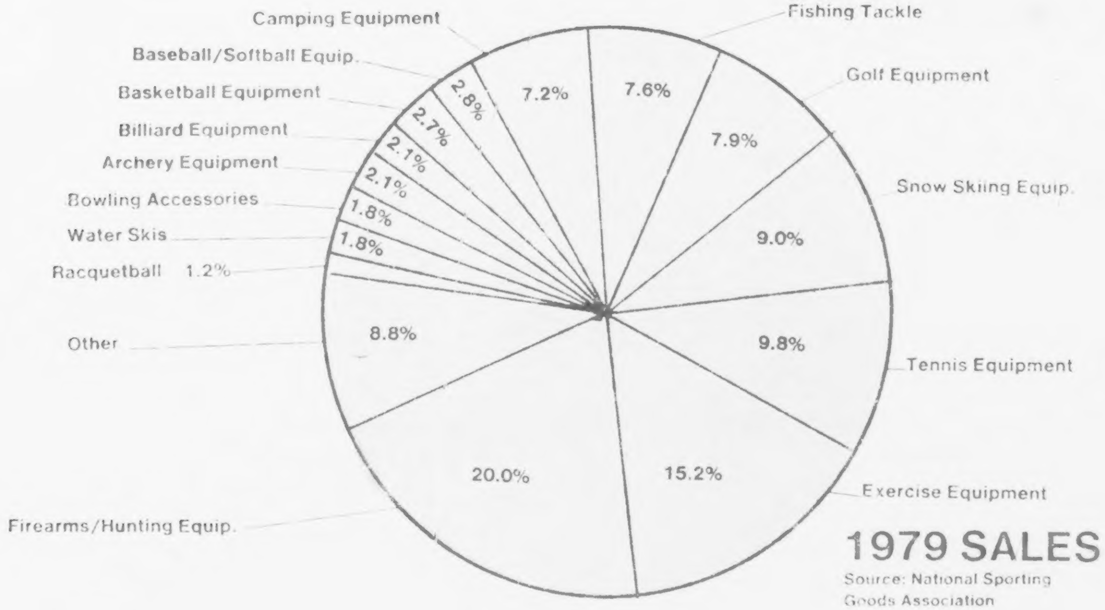
Fishing equipment is the number one category in terms of NAVRESSO sales for 1980 and is also expected to maintain that position in 1981. It also ranks as the biggest category for AAFES in 1980, although the forecast for this year places it a bit below other categories.

(Continued On Page 30)

MILITARY EXCHANGE SALES OF SPORTING GOODS — WORLDWIDE CY 1978 and CY 1979

	1979	1978
Fishing Supplies and Equipment	$19,213,500	$17,678,900
Camping Supplies and Equipment	$11,656,700	$10,963,700
Tennis and Racquet Ball	$10,845,200	$10,210,000
Golf Supplies and Equipment	$ 7,008,800	$ 6,578,200
Team Sports	$ 6,492,400	$ 6,030,000
Hunting Supplies and Equipment	$ 5,350,600	$ 4,728,100
Water Sports	$ 4,256,400	$ 3,905,800
Skiing and Water Sports	$ 4,053,700	$ 3,837,300
Exercise Equipment	$ 737,800	$ 623,600
Other Sporting Goods and Equipment	$ 2,833,700	$ 2,734,000
Total Sales	$73,776,800	$68,523,000

Source: Estimates by the Army Times Publishing Company based on sales-by-department and subdepartment as obtained from the various exchange services



1979 SALES

Source: National Sporting Goods Association

(Continued From Page 29)

What accounts for the popularity of this sport — and thus sales of fishing equipment — is a matter of conjecture; but the relatively low price for starter equipment, pegged at $60 for a four-member family by the American Fishing Tackle Manufacturers Association, might have something to do with it. Fishing is also a sport a whole family can enjoy; it allows for pleasant family outings; it is one of the more relaxing sports, and it also has the benefit of being able to add to the family menu if the fishing jaunt was successful. (This latter aspect, however, seems to be of small significance, a AFTMA spokesman told MILITARY MARKET. Some people actually throw their catch back into the water, and although the food aspect used to be a strong motivator in the past, "there is no sign of the trend coming back.")

Currently, there are some 35 million licensed fishers in the United States, although the total number of people fishing is closer to 63 million, the AFTMA spokesman said. Some people are too old or too young to need a license, some states do not require licenses — and some people, of course, fish without their state's legal blessing. A little over 30 percent of these fishers are youngsters, a group to which the AFTMA gives particular attention with its annual National Fishing Week (this year planned for May 11-17). For this event, which was started a couple of years ago, the AFTMA, (2625 Clearbrook Drive, Arlington Heights, Ill. 60005) provides kits to retailers and also lends support to a host of activities such as fishing derbies, exhibits of marine equipment and the like. "[These events] are a good vehicle to call fishing to people's attention," the AFTMA spokesman said.

In spite of organizational support as well as added efforts by the Department of Interior and various municipalities, the number of licensed fishers went down in both 1977 and 1978. Since gas, needed to get fishing enthusiasts to lakes, streams and ponds, had gone up substantially in price, more people chose to stay home; but this trend is slowly beginning to reverse itself. "People begin to realize that there is some nice fishing nearby," the AFTMA spokesman said, and the figures bear him out: New equipment sales, that is sales of starting equipment, reached $550 million in 1979 (NSGA figures are more conservative with $515 million), and AFTMA expects 1981 to be "certainly better than 1980" with unit volume expected to increase six to seven percent.

NAVRESSO, which considers fishing a slightly increasing category, plans to concentrate its buying on popular, moderately priced merchandise.

Camping

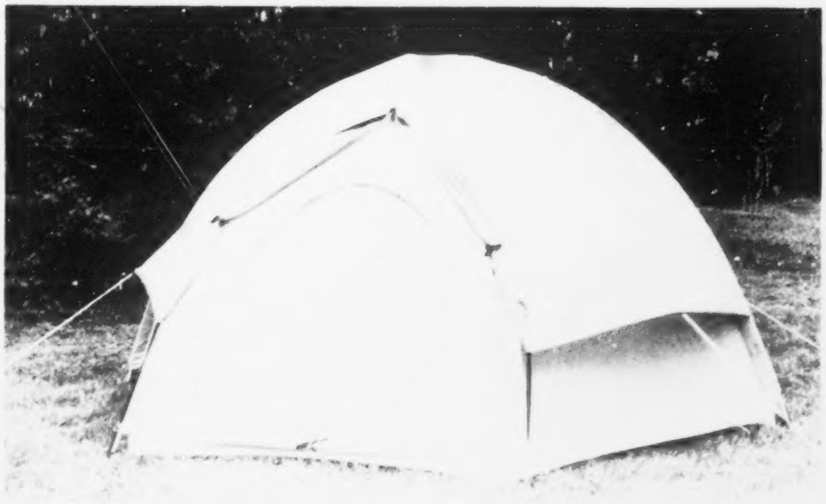
NAVRESSO will also focus on popularly priced merchandise for camping, the second ranking category in dollar sales for Navy exchanges, and also part of AAFES' top selling items.

According to NAVRESSO buyer Jim LoNano, camping has changed from recreational vehicle-type outings "back to tent-type camping." RVs and the gas needed to fuel them, have become too expensive for many people; as a result, more campers have reverted back to tents and stay in one camping spot much longer than they used to. Still, camping "represents an energy intensive activity," as a study by the research company Frost & Sullivan pointed out — and campers might be expected to make up the relative discomfort of tent camping (as opposed to RV camping) with purchases of helpful gadgets. "We have a big accessory program for camping," LoNano told MILITARY MARKET, but middle price points will prevail.

The Frost & Sullivan researchers, on the other hand, expect "an increasing trend of buyers to purchase more expensive, higher quality goods," and attribute this forecast to the fact "that the market has matured considerably since the early 1970's with camp-

(Continued On Page 33)

FISHING supplies and equipment netted the majority of military sporting goods sales last year. Shown here is the first customer in the Fishing Tackle and Accessories Concession at the Okinawa Area Exchange, inspecting a fishing rod.



HIGH gas prices have forced camping enthusiasts to switch from recreational vehicle-type back to tent-type outings. The hexagon-shaped tent by Seaway is made of rip stop nylon.

(Continued From Page 30)

ing equipment consumers . . . said to be older and more affluent than those of the past."

Although the military population seems to vary in that respect from the civilian market, camping equipment sales appear to be in for steady increases. While the Frost & Sullivan study predicts "a double-digit annual pace through the middle of this decade," NSGA figures are more cautious, although some categories such as backpack and hiking boots were also named as items with double-digit growth in the 1978-1979 time frame.

One of the problems of properly merchandising camping equipment in military stores is the limited space available to sports departments. "There are no more than 10 [NAVRESSO] stores which can set up tents," LoNano said. Most exchanges have to get by with four-color pictures on the packages, and AAFES stores help themselves with full color sporting goods catalogs.

Tennis/Golf

AAFES predicts good activity in high-end tennis and golf equipment sales, and NAVRESSO places the same emphasis on them. "Golf and tennis have dropped over the years," LoNano said. "Only better type merchandise sells."

The NSGA survey of the sports market for 1978/1979 yields a similar picture. Golf sales were off five percent in units, and ball and cart sales were flat, the study noted; tennis rackets were substantially off in units, too.

What remains are sales of better merchandise, most industry sources agree. "High-end tennis rackets and performance golf clubs," are good sellers for Wilson, a company spokesman told MILITARY MARKET. Since golf and tennis peaked in the mid-seventies, sales are geared toward the people who are now "a little older, with a little more money." An Ajay spokesman views the situation in a similar way. Beginners in sports usually buy on price, he told MILITARY MARKET, since they don't know whether they'll like the game or will be good at it. But once they have reached the intermediate or advanced level, they begin to blame poor performances on their equipment. They begin to be more aware of added features, see their peers or sports pros play with better stuff . . . and "status enters into the picture, too." As a result, more advanced tennis players and golfers, that is those that have stayed loyal to the sport after the earlier craze, will opt for better, higher-priced goods.

The Professional Golfers Association has also realized that the number of junior golfers has decreased over the years. In order to encourage more young people to take up the sport and to keep them interested, the association has launched the PGA Junior Golf Foundation. This program, begun about two years ago, has already yielded a three percent increase in junior membership in 1979 and the PGA expects that trend to continue. As part of the program, promotional kits, including posters, are available to stores to help promote the sport (PGA, P.O. Box 12458, Palm Beach Gardens, FL 33410). A PGA spokesman also pointed out that a beginner set of clubs, bags and golf balls can be purchased for approximately $75 at civilian retail, a figure that may somewhat reassure price-conscious parents who view golf as a high-cost sport.

Running/Jogging

The latest fad in sports, jogging, seems to have reached its peak, too. "The outlook for future participation in running and jogging as a sport is one of continued growth, although perhaps not at

(Continued On Page 34)

BEN HOGAN
APEX·S
The Winner's Choice

EXCHANGE golf and tennis equipment sales are best in high-end lines. Featured (LEFT) is the POPAI-award winning counter display of six dozen golf balls by AMF Ben Hogan Golf Ball Merchandiser. (RIGHT) Although NAVRESSO's gun business "is nil" due to increased national and local restrictions, hunting items still account for a major part of military sports sales. The Tasco model 101Z binocular includes a carrying case and straps.

(Continued From Page 33)

the skyrocketing pace of the past several years," a spokeswoman for the National Jogging Association said.

Although it seems as if half of America now spends their lives running off pounds and smoke-filled lungs, it is difficult to ascertain the exact number of joggers. Estimates have ranged from about 17 million adults in 1977 and 1978 studies to over 35 million in a 1979 A.C Nielsen and *Sports Illustrated* study, the NJA reports. Numerical projections are for 32.7 million in 1981 and 33.3 million in 1982, although it is still difficult to tell who will pick up the sport and who will stay with it.

According to NAVRESSO's LoNano, however, "there is no part-time jogging." Those who run do it regularly — and in the process they tend to wear out their most important equipment, namely shoes. Although Navy stores do not sell sports shoes and clothing in the sporting goods department but in the footwear and apparel departments, such items are of interest to the sporting goods industry.

They are certainly important to a company such as **Blue Ribbon**, the maker of Nike running shoes, which has found that military sales have "increased tremendously," as a spokesman said. Currently, sales have reached a capacity level but still grow to a point," he told MILITARY MARKET. Although the company offers a full line of sporting shoes, military sales have been particularly good in court shoes, running shoes and some for tennis. "Our shoes have really caught on in the marketplace," the spokesman said, and men, women and children like to have them. Some professionally oriented women, however, seem to prefer men's shoes for durability and fit, although the company also offers a women's line. The key to doing business with the military is to have a good price range of shoes, the spokesman said, in particular since the many restrictions with the military "limits what you can do."

Soccer

With the growing interest in different sports from other countries, soccer has finally made its debut in the United States. "Soccer has been growing consistently for the last years . . . and is an attractive alternative to football," the spokesman for the National Sporting Goods Association told MILITARY MARKET. Most important, "the cost of equipment is relatively low."

Although the NAVRESSO buyer also sees soccer as the fastest growing participation sport, he does not view it as the fastest growing sport for retailers. Although sales of balls and gift sets, especially around Christmas, are pretty good, the total volume of items needed to play soccer is rather small.

The Wilson company spokesman is more optimistic, although he, too, thinks that soccer necessitates less equipment than other sports. Yet, his company's gift-sets including bags, balls and shinguards sell well, he said.

Diving

A growing area for NAVRESSO is scuba diving equipment; currently ranked as the number six category, scuba will be very strong, LoNano said.

The Diving Equipment Association is also optimistic. 1981 is expected to be a "good year," an association spokesman told MILITARY MARKET, and volume growth is expected to reach 15 percent. Not only are export sales up — "American diving equipment is recognized as the best in the world" — but diving travel is on the increase, too. Not surprisingly, most diving equipment stores — and thus sales — are in the Sunbelt states.

In addition, "people do nothing but travel" and resorts are beginning to offer more diving possibilities, thus offering good sales potential for other areas of the country, too.

What helps the general sales picture is the fact that diving equipment retailers "had an excellent summer" and that "inventories are low"; as a result, retailers are expected to order early and in some volume. First indications come from the trade shows, where exhibitors wrote more business than in 1980, when unit sales were about the same as in 1979, the DEA spokesman said.

Skiing

Skiing equipment does not rank particularly high on either the AAFES or the NAVRESSO list, nor are the Skiing Industries of America really thrilled about current sales. "It didn't snow anywhere this winter," a SIA spokesman said. Although the East started off well, the season did not live up to its original promise: a good season, after all, is one that allows for skiing between Thanksgiving and March, the spokesman said. Although snow in typical American ski areas is necessary, geography has little to do with actual sales: "The biggest rate of growth in retail stores is in the South," he said. "The trend is where the population is."

Hunting/Shooting

While AAFES reports "a fine program in guns," the gun business for NAVRESSO "is almost nil," LoNano said. Although it used to be about 20 percent of the sporting goods business in 1973 and 1974, stricter federal and local regulations and self-imposed restrictions have reduced that category considerably. The Navy has become more concerned about the safety of individuals and also the reputation of the stores: break-ins and accidents are too concrete of a danger.

Storing guns is also costly and cumbersome, considering that guns and ammunition cannot be stored together or left in the store overnight, LoNano told MILITARY MARKET.

Yet hunting and target (or recreational) shooting are favorite pastimes of some 21 million hunters and 16 million target shooters, according to Department of Interior statistics, a spokesman for the National Shooting Sports Association said. These numbers are based on the number of licenses granted, although it can be assumed that the total number of hunters and shooters is less than 37 million, considering that some hunters are also shooters and vice versa.

Hunters alone spend some $5.8 billion for equipment and travel, the statistics show, or $284 per hunter, the NSSF spokesman said. And while the number of hunters used to increase in excess of the annual population growth, increases are now pretty much on par with it. Accordingly, hunting or shooting goods sales are expected to just increase by approximately six percent, and manufacturers' figures, provided by the Bureau of Alcohol, Tobacco and Firearms, indicate that production stands about the same as last year. "There are no dramatic increases or decreases," a BATF spokesman told MILITARY MARKET.

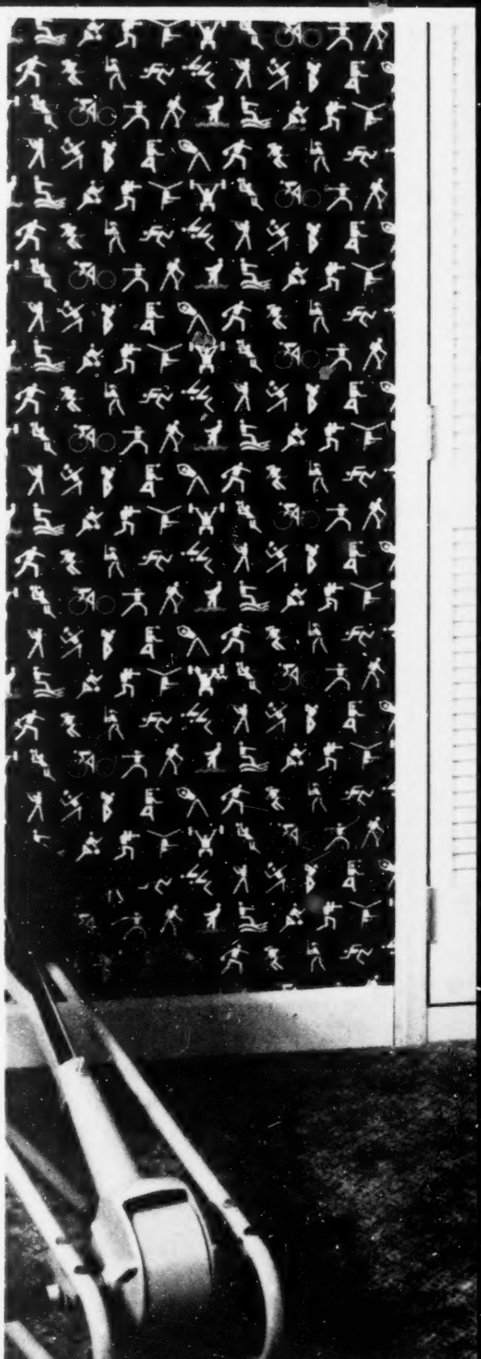
Keeping Score

The range of sports and sporting goods is certainly not exhausted by the categories discussed above, and new sports might appear on fields or tracks overnight. One such development is the anticipated popularity of walking as a less strenuous alternative to jogging; and some sports footwear companies are already reported to be looking into the possibility of developing a special shoe for it.

While it helps exchanges to stay attuned to such developments, their best sales, however, seem to lie in proven categories. Store managers also have to stay attuned to the given geographical locations of the stores as well as to their customer mix. "There is no across the board customer," NAVRESSO's LoNano said. "Each base is completely different and has to tailor-mix its merchandise."

Another factor to watch is the strong emergence of women as sports participants. The AAFES stock assortment includes more items for women due "to a recognition of customer growth and increased demand," an AAFES spokesman said.

Keeping good assortments geared to local preferences and in tune with general sports trends will assure exchanges that its merchandise will move. With space always at a premium, the Wilson company spokesman said, "sales per square foot is the name of the game." (MM)



EXERCISING goods, although still a small part of the total military sports business, are carving their niche in the civilian market. The wallpaper in the exercise room featuring small figures involved in many sports makes a good background for sporting departments. By National Gypsum Decorative Products Division.

Canned Meat And Fish

Leaner Supplies Make Sales Flounder

By John A. de Ferrari

Canned meat and fish are being forced to fight a two-front price war: Raw materials are more expensive and difficult to acquire, and labor and processing costs continue to climb. Manufacturers are resigning themselves to further price hikes on the retail end in 1981 . . .

"PRICES ARE UP; profits are down."

This is how one source in the canned meats industry summed up the manufacturers' viewpoint on the current market situation. Costs for everything from raw materials and packaging to labor and transportation are driving the prices of canned meats up, and many canners fear that stiff consumer resistance could result.

"We are constantly being faced with increased costs," one canned meats marketing specialist told MILITARY MARKET. While other categories bear the brunt of inflation's pressures chiefly through the rising cost of food processing, canned meats have had to deal with significantly higher costs for pork and beef as well.

While the immediate effect of last year's considerable drought was to suddenly boost fresh beef and pork prices and make canned meats an attractive, lower-priced buy, raw material shortages, especially in beef, have now caught up with the meat canning industry. "A lot of breeding herds went to market and were slaughtered last summer," a source at a major manufacturer said. "Consequently there's a bit of a shortage of beef and pork in the market now."

However, "pork, in general, has been doing a little better than beef," MILITARY MARKET was told. Nevertheless, pork supplies are expected to thin out in the next few months, causing a firmer market and "somewhat higher prices," according to an industry source. Supplies are expected to still be adequate.

One industry official predicted "modest price increases for the rest of the year." He said that while this year may be "a little less stable than last year," still it is expected to be better than 1979, when energy costs first began to jump by leaps and bounds.

As far as specific products within the canned meats category are concerned, industry specialists have a hard time picking out clear-cut trends. Case movement of different products may increase or decrease slightly and may turn around again without any clear-cut explanations. Vienna sausage, for instance, was reported in the October, 1980 edition of MILITARY MARKET to be declining in sales. But sources say that Vienna sausages have recently begun to pick up again. This type of fluctuation is usually within a few percentage points of a basic case movement rate.

The American Meat Institute reports that production of canned meat products under federal inspection was up one percent in CY 1980 over 1979. While such things as corned beef, deviled ham, Vienna sausage, and luncheon meats were produced in fewer quantities, canned hams, chili con carne, and hash products showed production increases.

Tuna's Troubles

MILITARY MARKET reported last October that an embargo had been placed on all Mexican tuna and tuna products, drastically affecting the tuna canning industry in the United States. When MILITARY MARKET asked an official at the National Marine Fisheries Service if any progress had been made in negotiaitions with Mexico, the response was simply "Nothing."

The embargo came about after Mexico seized six American tunaboats that were fishing within its 200-mile coastal zone. Costa Rica, Peru, and Ecuador, which also seized boats fishing in their waters, have likewise been embargoed.

The American position is that informal agreements had been in effect, allowing the tunaboats to fish Central American coastal waters. But the foreign nations are insisting that expensive licenses be bought before any more fishing can take place within their coastal limits. American officials are hoping that the Reagan administration will address these unresolved difficulties, but as of MILITARY MARKET presstime no new developments had occurred

The embargo has had a considerable effect on tuna prices and will continue to do so until the situation is resolved, if it ever is. As much as 40 percent of all light meat tuna sold in the U.S. used to be fished in tropical western

Pacific waters that are now off limits.

Industry officials say there is still plenty of tuna available, but it must now be acquired from other regions of the world. Chiefly because of transportation costs, this imported tuna is considerably more expensive than that fished close to home. American tunaboats that used to fish off Mexican and Central American shores are now having to fish outside the 200-mile limit, which makes costs doubly higher. First, it takes more fuel to get a boat out beyond the 200-mile limit and bring it back to port again, and second, the fishing farther out at sea is not as good as that close to shore. One industry official told MILITARY MARKET that these tunaboats are getting "nowhere near what they usually catch."

An average tunaboat that makes a good catch can take home $1,300,000 worth of tuna, according to an industry source. But the fuel costs for that trip will be from $250,000 to $300,000, a good 20 percent of that wholesale dollar figure. And if the catch is smaller than normal, the relative fuel cost per pound of product rises accordingly.

The effect of all this on canned tuna at the retail level has already been felt. Whereas prices last August, say, were pegged at $35 for a standard case of six ounce cans, the current level is around $39-40 per case. An industry source said that it could soon rise to $42-43. He added that the industry could be in real trouble if the trend continues and tuna prices itself out of the market.

In the wake of tuna's price problems, some manufacturers are beginning to market cheaper "tuna substitutes," made from other varieties of fish. At least three seafood marketers are now offering canned "chunk light sardine" in regional markets as a low-priced (20 to 30 cents less per can) alternative to tuna, according to a recent *Advertising Age* report. The chunk light sardine comes from a fish known as the pilchard. If the demand gets high enough and tuna gets too expensive, other fishes, such as dogfish, monkfish, and hake, may be finding their way into cans as well.

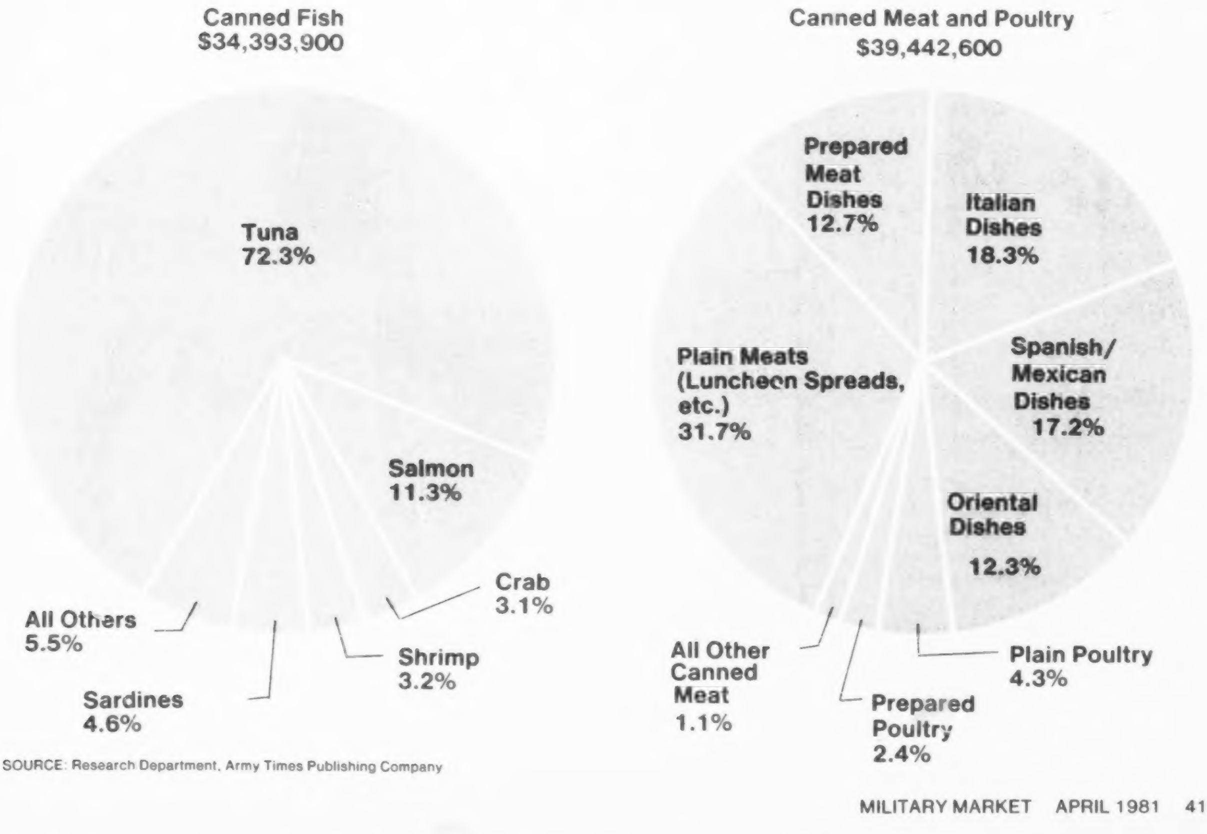
Brisk Movement

Salmon may be more expensive than tuna, but salmon prices have held the line this year, making it an attractive consumer buy. The annual salmon catch this year produced 20 percent more fish than it did last year, and the abundant supplies have kept inflation from raising salmon's price.

A spokesman for **The Canned Salmon Institute** said the "total movement has been quite brisk," and that the entire 1980 pack is expected to be exhausted before the new 1981 pack becomes available, despite the abundant supplies.

Currently, it is estimated that 1981's catch will amount to about 80 percent of 1980's harvest. The Canned Salmon Institute spokesman stressed that the long range forecast is far from certain at this point.

CANNED MEAT AND FISH SALES IN COMMISSARIES WORLDWIDE, CY 1979



SOURCE: Research Department, Army Times Publishing Company

Military Market INDEX

COMMISSARIES

		DECEMBER			YEAR-TO-DATE		
		CY'80	CY'79	% CHANGE	CY'80	CY'79	% CHANGE
AIR FORCE	CONUS	$132,566	$110,819	+19.6	$1,430,254	$1,307,105	+9.4
	OVERSEAS	26,159	23,653	+10.6	291,988	258,571	+12.9
	TOTAL	158,725	134,472	+18.0	1,722,242	1,565,676	+10.0
ARMY	CONUS	98,280	87,360	+12.5	1,073,072	992,092	+8.2
	OVERSEAS	30,576	28,288	+8.1	331,968	295,026	+12.5
	TOTAL	128,856	115,648	+11.4	1,405,040	1,287,119	+9.2
NAVY	CONUS	50,708	45,836	+10.6	558,986	523,206	+6.8
	OVERSEAS	6,492	5,795	+12.0	68,705	62,621	+9.7
	TOTAL	57,200	51,631	+10.8	627,691	585,827	+7.2
MARINES	CONUS	10,811	8,969	+20.5	115,894	106,330	+9.0
	OVERSEAS	178	185	-3.8	1,841	1,845	-0.2
	TOTAL	10,989	9,154	+20.0	117,735	108,175	+8.8
COAST GUARD	CONUS	516	408	+26.5	5,570	4,908	+13.5
	OVERSEAS	149	120	+24.2	1,599	1,556	+2.8
	TOTAL	665	528	+26.0	7,169	6,464	+10.9
ALL COMMISSARIES	CONUS	292,881	253,392	+15.6	3,183,776	2,933,641	+8.5
	OVERSEAS	63,554	58,041	+9.5	696,101	619,619	+12.3
	TOTAL	$356,435	$311,433	+14.4	$3,879,877	$3,553.260	+9.2
GROCERY STORES	U.S.[1]	$19.579 bil.	$17.937 bil.	+9.2	$212.036 bil.	$191.326 bil.	+10.8

EXCHANGES

		DECEMBER			YEAR-TO-DATE		
		CY'80	CY'79	% CHANGE	CY'80	CY'79	% CHANGE
AAFES	CONUS	$259,798	$240,282	+8.1	$2,253,315	$2,000,240	+12.6
	OVERSEAS	165,183	156,510	+5.5	1,609,794	1,421,478	+13.2
	TOTAL	424,981	396,792	+7.1	3,863,109	3,421,718	+12.9
NAVY	CONUS[2]	115,383	103,228	+11.8	989,031	877,992	+12.6
	OVERSEAS[2]	40,189	33,770	+19.0	362,130	329,917	+9.8
	TOTAL[2]	155,572	136,998	+13.6	1,351,161	1,207,909	+11.9
MARINES	CONUS	31,294	28,170	+11.1	285,963	256,808	+11.4
	OVERSEAS	4,613	3,821	+20.7	42,364	37,015	+14.4
	TOTAL	35,907	31,991	+12.2	328,327	293,823	+11.7
COAST GUARD	CONUS[3]	6,730	6,183	+8.8	58,747	56,534	+3.9
	OVERSEAS[3]	848	779	+8.9	7,406	7,131	+3.9
	TOTAL[3]	7,578	6,962	+8.8	66,153	63,665	+3.9
MAIL ORDER	CONUS[4]	997	949	+5.1	9,097	7,983	+14.0
	OVERSEAS[4]	3,641	3,372	+8.0	37,609	39,723	-5.3
	TOTAL[4]	4,638	4,321	+7.3	46,706	47,706	-2.1
ALL EXCHANGES	CONUS	414,202	378,812	+9.3	3,596,153	3,199,557	+12.4
	OVERSEAS	214,474	198,252	+8.2	2,059,303	1,835,264	+12.2
	TOTAL	$628,676	$577,064	+8.9	$5,655,456	$5,034,821	+12.3
DEPARTMENT STORES	U.S.[1]	$14.967 bil.	$13.930 bil.	+7.4	$94.849 bil.	$89.127 bil.	+6.4

AAFES and Navy Exchange sales have been adjusted for 1980 and 1979 to reflect the breakout of mail order sales.

Individual figures may not add to totals, due to rounding. All sales are expressed in millions (add 000), except for grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges and exchange sales include concession volume.

[1] Source: U.S. Department of Commerce.

[2] Does not include sales of ship stores.

[3] MM estimate, based upon official data.

[4] Includes consolidated sales for all services, including Coast Guard. Data prior to July 1980 was extracted from respective AAFES and NAVRESSO mail order catalogs.

Military Market

MAGAZINE FOR THE MILITARY RETAIL SYSTEM   ARMY TIMES PUBLISHING COMPANY   MAY 1981 $1.00

The Problems in Dallas...

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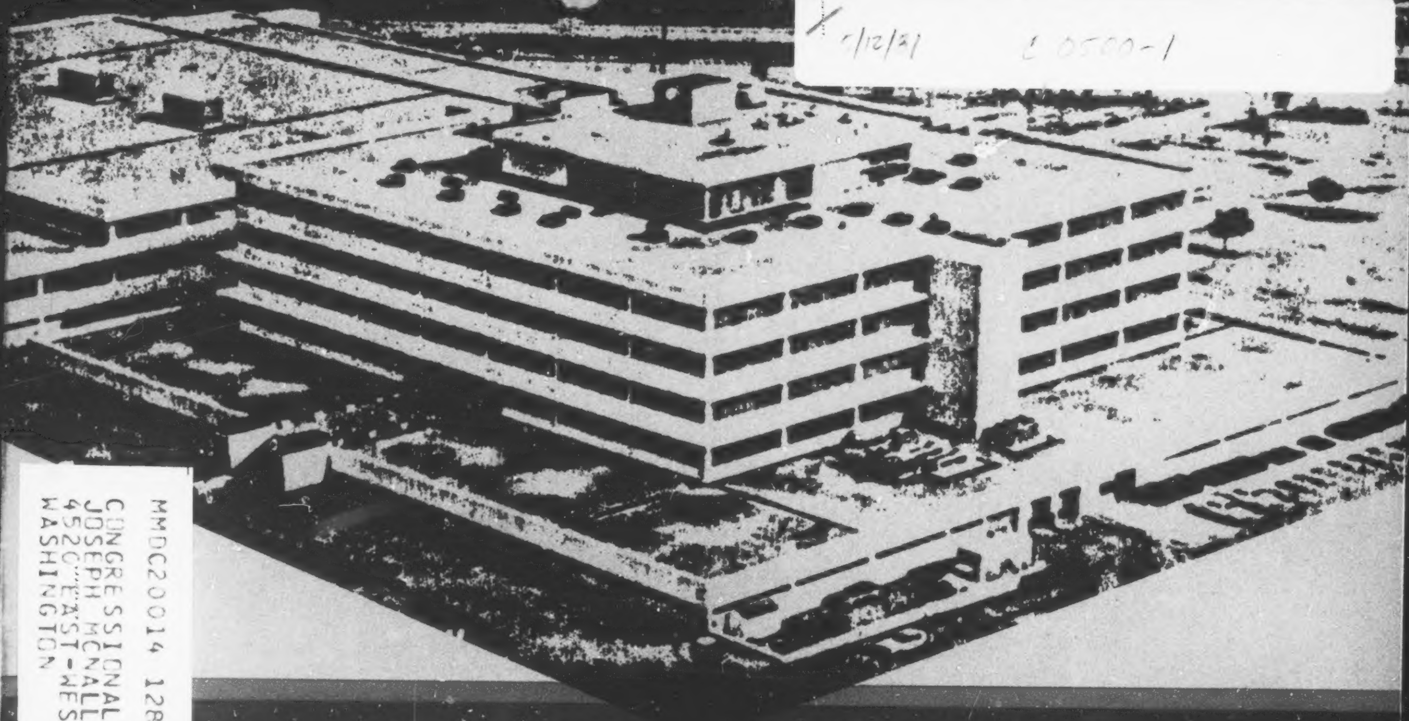

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WHAT'S REALLY GOING ON ?

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Military Market
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ARMY TIMES PUBLISHING COMPANY VOLUME 32 NO.5

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'LITE' IS RIGHT

By John A. de Ferrari

The price/supply situation looks normal for most canned vegetables except corn, but canned fruits are piling up even though the demand is slackening. 'Lite' fruits may be one answer to the problem . . .

CANNED FRUITS and vegetables seem to be past their prime. Industry observers have predicted that the steady decline in the number of firms involved in canning that has occurred over the past few years will continue through the 1980's, leaving only a few big firms with sophisticated marketing expertise to control the category. Canned fruits in particular are expected to continue to decline, though not sharply.

Since customer attitudes towards canned fruits and vegetables vary only slowly and gradually, the major factor in how well a particular canned fruit or vegetable sells is how well the crop for that item did and how much of it was processed.

Currently the market outlook for canned fruits is almost a mirror-inverted image of that for canned vegetables: Most canned fruits are in abundant supply, with a large carryover from last season, but they face continued shopper resistance nonetheless. Meanwhile, a number of canned vegetables are in shorter supply this year than last and at least one may have problems meeting the demand.

Slow Movement

"The 1980-81 pack of canned fruit will exceed last season's large output, even though the packing season is not yet completed," according to the U.S. Department of Agriculture. These heavy supplies are facing decreased movement in the retail market. "In order to stimulate sales, packers have offered promotional allowances for several canned fruits," says the USDA. "If movements do not show significant improvement, the carryover stocks would be the largest in the last several years."

MILITARY MARKET surveyed a number of packers in the canned fruits industry to find out why canned fruits aren't selling as they should be. Two major reasons seemed the likeliest causes.

First, prices for canned fruits (and all other canned foods, for that matter) have continued to rise as processing costs for labor, energy, and raw materials also skyrocket. Manufacturers, who are already backed to the wall with very narrow profit margins, have virtually no latitude to absorb the increased costs. But even the promotional allowances the USDA mentions for some canned fruits are not proving to be very effective in making sales pick up, according to other industry observers.

Which leads us to the second reason. With the way fruits are associated with freshness and nutrition these days, canned fruits — especially canned fruits packed in heavy sugar syrup — are almost a redundancy. The industry has responded to this problem by introducing "lite" canned fruits. The front runner in this category

(Continued On Page 18)

Canned Fruits and Vegetables

(Continued From Page 14)

has been **Libby, McNeill & Libby**, whose Libby Lite was introduced just last year. The Libby Lite line includes "no-sugar added" peaches, pears, fruit cocktail, and chunky mixed fruit. A company source told MILITARY MARKET that the Lite line is packed in a mixture of natural fruit juices — pineapple, grape, and apple — instead of a sugar syrup. The fruit juice packing, which is more expensive than sugar syrup, has resulted in Libby Lite fruits being a "premium-priced" product in an extremely price-oriented market. Yet sales since its introduction have increased steadily. "Libby Lite is probably the most successful canned fruit introduction ever in the industry," the company source said. In fact, the product is practically the only canned fruit to receive any advertising promotion at all this year.

A source at **Del Monte Corp.**, which has also introduced its own line of Lite fruits, told MILITARY MARKET that commissary officers have recognized a "need" for this type of product — whether real or perceived — and are stocking it throughout the commissary systems. Apparently the products are forming a new subcategory in themselves and are indeed filling a previously unsatisfied need. "Whereas Lite fruit is gaining considerably against the market as a whole, the lite category does not cannibalize the other fruit," the Libby source explained.

Bumper Crops

Industry sources predict good crops for almost all fruits this season. Both *PEACHES* and *PEARS* will be in very good supply this year, according to one source, who added that "there may be another bumper crop of pears this year, attributable at least in part to the volcanic ash in Washington state." The ash, still remaining from the eruptions of Mt. Saint Helens last spring, has actually had a protective and fertilizing effect on pear trees in the Northwest.

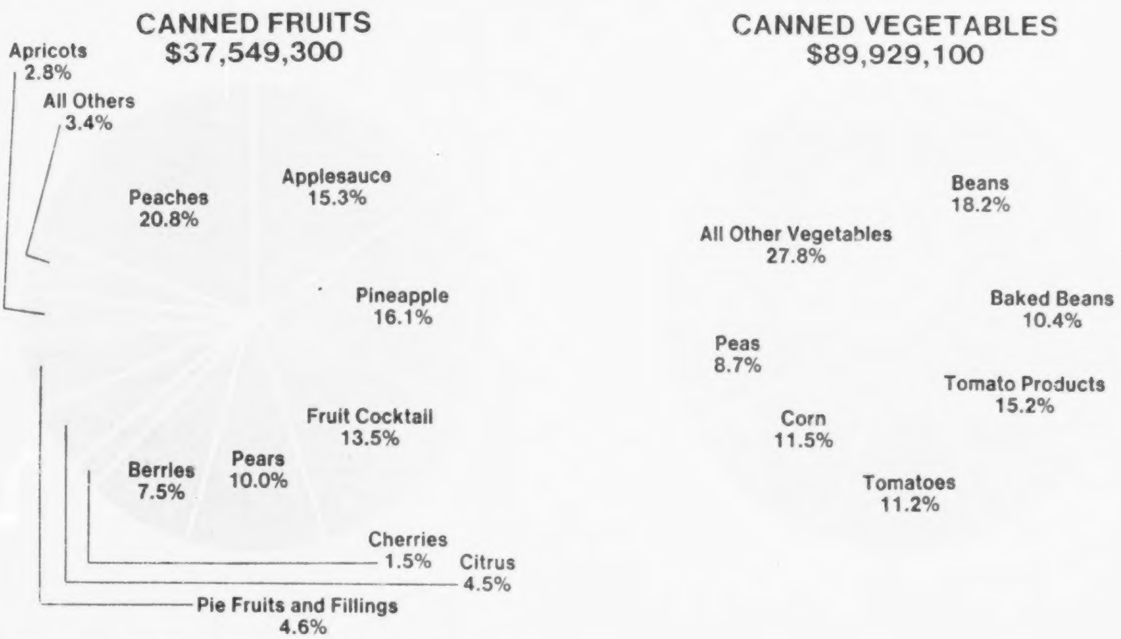
Canned PINEAPPLE, another major segment of the category, will be in adequate supply with "some styles perhaps tight," according to one major packer. While rising freight charges have led to numerous price hikes for pineapple in recent years, the situation may be somewhat more stable this year. "There will be no real price cuts or price advances," the packer said.

APPLESAUCE continues to sell well and is advancing in sales while other canned fruits are declining. "The supply is plentiful and the price is certainly right," a spokesman for the **Processed Apples Institute** told MILITARY MARKET. This season marks the third straight year of record apple crops, and "growers are putting more and more pressure on processors to accept more and more of the crop [for processing into juice and applesauce]," the spokesman said. "Thus there will be downward pressure on prices because of the bountiful supply."

The spokesman went on the attribute the rise in popularity of apple products to their combined high nutritious value and relatively low price. These two qualities are the same ones said to be lacking in canned fruits in general.

While it is more true of apple juice than applesauce there is a continuing trend toward glass

CANNED FRUITS AND VEGETABLE SALES IN COMMISSARIES WORLDWIDE, CY 1979



Source: Research Department, Army Times Publishing Company

packaging of the product over canning. Shoppers may perceive glassed applesauce as being a higher quality product, but its major attraction is simply that it looks better. The shopper can see the product directly through the glass.

A Florida processor told MILITARY MARKET that the canned *GRAPEFRUIT* pack, which had just been completed, was down 13 percent from last year's pack as a result of damage from the freeze that hit Florida citrus groves in mid-January. Case movement is proportionately down, by 15 percent through March 14.

Canned *CITRUS SALAD*, though packed in smaller quantities this season, is nevertheless in slightly greater supply this year than last due to a large carryover. According to a Florida source, the outlook is for no appreciable promotional activity in canned citrus this year but no substantial price changes either.

Stocks Thinning Out

The severe drought that hit the Midwest last summer is still leaving its mark on the vegetable canning industry. Canned vegetables are the largest segment of the canned foods market (28.5 percent of commissary sales in 1979) and serve a demand that is not diminishing as the demand for canned fruit is.

The USDA reports that the 1980 pack of three major canned vegetables — beans, corn, and peas — was down 11 percent from a year earlier. This leaves 1981's stocks on hand per capita at the lowest level since 1974. The USDA goes on to report, however, that supplies of most canned vegetables are "adequate" and that acute shortages are not anticpated for any item.

The crop hardest hit by last year's drought was *CORN*. Cases on hand of 24 303-size cans of sweet corn were down 24 percent in February compared to a year previously, according to one major packer. The supplies of canned sweet corn began to get tight in November and prices likewise started to escalate. In January alone, canners raised prices as much as five percent per case.

"It's a very close call now as to whether stocks will last until the new pack comes in," one military sales manager told MILITARY MARKET. "But perhaps movement will decrease [because of the higher prices] to the point where we can keep the product in stock." Nevertheless, at least one major company has already begun to allocate 303-size whole kernel corn and "others may follow suit," according to one source.

The new pack, which will not get under way until the beginning of August, does not promise any sudden turnaround in corn's general availability. "Corn will still be short in 1981-82," the MSM said.

Several other vegetable categories have been affected by last summer's drought. The *TOMATO* supply, for instance, will continue to be tight throughout most of 1981. "Most tomatoes for processing — some 80 to 85 percent — come from California," one industry source said, "and last year's crop there was the lowest in some six or seven years. The packs for the coming years will be gradually bigger but not by much." The USDA predicts prices for canned tomato products will continue to rise this year.

Most other vegetables — including the major crops of *PEAS* and *BEANS* — were reported to be in relatively good supply. 1980's snap bean pack was smaller than 1979's but was balanced out by a high carryover. The production of peas for canning dropped 17 percent in 1980, according to the USDA, but stocks are only "marginally" smaller this year than last.

With the trend towards "lite" fruits being the way it is, one would expect vegetable canners to also begin work on no-salt-added or reduced-salt canned vegetables. Some sources MILITARY MARKET talked with believe the possibility for "lite" vegetables exists, but the removal of salt from vegetables seems a more drastic and uncertain move than reducing the sugar in fruits. In today's sluggish market, few processors are interested or willing to spend money testing and marketing a new canned vegetable of any kind.

Fighting Foreign Fungi

AMERICAN MUSHROOM canners have not been worrying about such things as trying to match crops with demand in order to sell the most volume at the best prices. Increasingly over the last six years or so, a much graver problem has plagued the domestic canned mushroom market. So bad is it, that even after federal legislation went into effect last fall to try to remedy the situation, the outlook still "looks pretty grim," according to a spokesman for the **American Mushroom Institute.**

What is the problem? Imports, especially from China, Taiwan, and South Korea, have flooded the American market and seriously undercut sales of American canned product. For several years the Mushroom Processors Tariff Committee lobbied to get a tariff imposed on imported canned mushrooms in order to try to save American canners.

Finally, former president Carter signed a bill imposing higher tariffs on imported mushrooms for the next three years. A 33 percent tariff accordingly went into effect on November 1, 1980.

But the institute reports that despite the tariffs imported canned mushrooms continue to increase their stranglehold on the American market. Imports were said to be up 18 percent in November over a year earlier and 28 percent in December.

Imports were down in January in order to tighten the market and drive prices further up. The American Mushroom Institute predicts imports will have risen again in February. Almost all gains by imports are at the expense of domestic producers, since movement of canned mushrooms is more or less stable.

The American Mushrooom Insitute is now more and more promoting fresh mushrooms, a spokesman for the institute told MILITARY MARKET. Fresh mushrooms are a quality product that looks very good on the shelf, he said, and foreign countries have no way of competing with fresh.

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Candid Camera Coverage

A Wide Angle View of

By

Donna J. O'Neal

Amidst scantily clad tourists, palm trees and sandy beaches, the Photo Marketing Association convention opened this year in Miami Beach to crowds of retailers and photofinishers. Manufacturers presented these onlookers with an array of new products and deals, while industry experts also shared marketing secrets with retailers industrious enough to attend early morning seminars. Of course the military resale systems were represented with their own batallion of buyers. And Military Market was there as well, taking it all in with pen and camera in hand. Here's a brief overview.

Show photos by Donna J. O'Neal

THE PHOTOGRAPHIC INDUSTRY convened in the balmy state of Florida in early April to "Show and Tell" what's new in the market. And although no earth-shattering developments were divulged, enough new products, deals and marketing ideas were presented to keep the crowds of dealers and photofinishers busily scurrying from business meetings and early morning seminars to one exhibit booth after another.

Joining the crowd of dealers, photofinishers and manufacturers were military buyers there to meet with their suppliers. MILITARY MARKET had an opportunity to talk extensively with them, and their remarks are shown on subsequent pages. There was also ample opportunity to attend seminars and business meetings, in which industry experts shared their ideas on increasing photography marketing viability. Reports from some of these also are included.

And then there was the foot-burning journeying from one booth to another to talk with suppliers and view their products. Fortunately for MILITARY MARKET this daily legwork was augmented by evening receptions during which convention attendees relaxed, partook of libations and informally discussed the business, the convention and life in general. In all, the Photo Marketing Association convention provided a comprehensive and valuable overview of the photographic industry. Here's what MILITARY MARKET observed, beginning with new products on hand.

DARKROOM HOBBYISTS are the target of new products introduced at the PMA show by Eastman Kodak Co. The amateur photographer needs only a color enlarger, Kodak Ektaflex printmaker model 8, Ektaflex PCT materials, and other modest darkroom accessories to produce color prints.

Film, Flashes and Photofinishing Back Up New Camera Equipment

New products introductions ran the gamut of the photographic industry, and were not just limited to camera equipment. For example, **Kodak** showed a new single-solution system for darkroom hobbyists to make color prints from negatives and slides — in just minutes, according to the company. The Kodak Ektaflex PCT color printmaking system allows amateur photographers to make prints without mixing chemicals or carefully monitoring processing time and temperature. A fully saturated color print is available in six to 15 minutes, depending on room temperature. Four products will be available in September. These are: the Ektaflex printmaker; negative film, which is used with color negatives; paper, and activator. Reversal film, to be used with color slides, will be available early in 1982. The printmaker has a list price of $134.50.

Vivitar introduced the 3500 electronic flash unit "dedicated" to work with **Canon, Minolta, Nikon, Olympus** and **Pentax** SLR cameras, as well as other popular 35mm camera models. Functioning as an integral part of most dedicated SLR cameras, the 3500 EFU automatically sets the shutter or exposure speed and activates and programs the viewfinder information. Two audible signals plus special red and green LED light indicators tell when the flash is ready and if the flash is producing sufficient light for proper exposure. The audible and green LED sufficient-light indicators can be used for pre-testing the flash prior to taking a picture.

Agfa-Gevaert introduced a variable, high-speed black and white film that uses the new chromogenic color processing technology and allows photographers to use differ-

the PMA Convention

ED JUNG, military sales manager for Yashica/Contax, said that aside from the new SLRs from the company there are new training materials that will be offered to military exchanges. Fifteen-minute videocassettes are available for each company product now carried in AAFES and NAVRESSO exchanges.

ent ASA ratings on the same roll of film with no change in processing time, temperature or concentration. The ASA range is from 125 to 1600, and thus can be used in daytime, nighttime and indoor lighting situations. The processing is done with the standard color negative C-41 method. Chemicals are not contaminated by the film, because the silver is recoverable, according to the company.

Yashica introduced the Yashica FX-D Quartz 35mm SLR that features total quartz regulation throughout, is both totally automatic (aperture-priority) and completely manually controlled, according to the photographer's preference. In the automatic mode, a LED and an audible signal warn of overexposure, which can be corrected with an exposure compensation dial. Available with this camera is the CS-201 dedicated Auto Flash unit that will set shutter speed when the camera is in the automatic mode.

A. J. SAUNDERS, military sales manager at Vivitar, poses with another company executive and a new electronic flash unit the company introduced at the show. Saunders, shown behind the counter, says military exchange business has been brisk.

Olympus introduced a 35-70mm f/4 zoom lens at a popular price during the show. A company spokesman admitted that Olympus has not been strong in the lens market to date, but is entering the market more seriously now. A special edition of the OM-10 SLR camera also was shown, but the company intends not to advertise it or have it listed in catalogs. The camera has a data back feature that differentiates it from the traditional OM-10.

Minolta showed five new 35mm cameras at the show. Included in that was the CLE, a 35mm rangefinder camera that is the first rangefinder to combine interchangeable lens versatility with automatic exposure control, according to the company. The camera has both aperture-priority and manual exposure control features. Three M-Rokkor lenses are available for the system, a 28mm f/2.8 wide angle, a 40mm f/2 standard lens and a 90mm f/4 telephoto lens. A dedicated flash also is available for the camera.

Canon introduced the AE-1 program, a 35mm SLR that has programmed or shutter priority automation, flash automation and interchangeable viewing screens. When used in the programmed mode, the camera sets both shutter speed and aperture opening. A new automatic exposure electronic flash, the 188A Speedlite, was introduced to work with the camera as well.

Polaroid introduced five instant cameras for Time-Zero Supercolor SX-70 photography. These are the Time-Zero OneStep, Time-Zero OneStep Plus, Time-Zero Pronto AutoFocus, Time-Zero SX-70 AutoFocus and the new economically priced The Button. The Button has a single-element 103mm f/14.6 lens for fixed-focus photography from four feet to infinity, offering pictures instantly without worry about setting lenses or estimating camera-to-subject distance, according to the company.

CHARLOTTE JOHNSON, director of national accounts for Olympus, said the company now has new, smaller brochures for lenses and cameras to beef-up point-of-sales materials. Other p-o-s items include stand-up Cheryl Tiegs cardboard profiles, banners and counter cards, all of which are available to military exchanges.

And as a novelty, **Magnacam Corp.** introduced a mini camera to wear on the wrist that uses round cartridges of six-exposure film and yields round prints. It is a fixed-focus camera with automatic film advance.

Countless other companies introduced new or upgraded versions of many photographic products. Photographic bugs will be reading about them in the photography press for months — until the next PMA convention, to be held February 18-21, 1982, in Las Vegas, when a whole new batch of products will be available for viewing. (MM)

WILLIAM STANDISH, special accounts manager for Minolta, predicts that auto focus will be a big feature in photography and encourages exchanges to emphasize filters more. Minolta now is distributing Cokin filters.

Candid Camera Coverage

Navy Photo Sales Keep Afloat

THEY WERE there to learn more about the photography business and find out what's going on this year. And they expected that what they would see and hear at the 1981 Photo Marketing Association Show would help increase photography sales in Navy exchanges at an even faster clip than already has been the case.

B.L. (Ole) Olson, senior buyer, NAVRESSO headquarters; Priscilla Hammond, camera buyer, Little Creek Naval Exchange; Ernest Moser, merchandise group manager and Mark Winge, camera buyer, both from the San Diego Field Support Office, also had time to rap with MILITARY MARKET about new photography trends and projections for B-1 department sales in the coming year.

The outlook is fairly optimistic. Last year Navy exchange photography sales were up about six percent worldwide, and up 6.25 percent in ConUS. Some areas, such as the San Diego FSO region, recorded an 18 percent sales increase. Rather than being hurt by the weak economy, the buyers all agreed that it is causing more military personnel to do their shopping in exchanges. "Eventually, however, we will feel the effects, if the economy continues to be weak," Ole Olson said.

"One thing that may happen," Ernest Moser added, "is that the economy will cause people to opt for less expensive cameras, which — because of developments in film technology and camera technology — won't necessarily mean that the pictures they get will be of a significantly lesser quality. I think that the advances in film technology have been absolutely fantastic, but unfortunately many consumers aren't truly aware of how far it has come," Moser said.

"One thing camera manufacturers already are doing," Olson said, "is luring customers into the 35mm market with a variety of compact easy-to-use rangefinder cameras. Once the amateur photographers find out how easy cameras can be to use, they tend to trade up to single lens reflex (SLR) cameras. Right now the rangefinder market is a prime growth area in our exchanges," he noted.

NAVRESSO BUYERS take a brief moment to compose themselves before venturing to the Miami Convention Center for a first look-see at what the PMA convention was offering. Left to right are: Mark Winge and Ernest Moser, both of the San Diego FSO, Priscilla Hammond, Little Creek, Va. exchange, and Ole Olson, senior buyer, NAVRESSO headquarters.

F-Stops Vs. Bus Stops

Priscilla Hammond and Mark Winge are relatively new to photographic products buying, and both said that the most difficult aspect of camera buying is learning the terminology. "I just didn't know a bus stop from an f-stop," Hammond said. "I began to do reading on the side, which helped, also I had a camera department manager who really knew her business, and that was equally helpful."

"Then you were lucky," Moser interjected. "I think one of our main photography department problems is lack of clerk expertise. We do have a high turnover rate, and that hurts us."

Olson added: "We really see this in our profitable areas such as camera accessories. It takes a knowledgeable camera department clerk to be able to competently recommend accessories, such as filters, flashes, or cleaning and maintenance items. A lot of times our clerks simply don't bother to talk about these."

"I have noticed that when major camera manufacturers conduct training seminars for our clerks they tend not to focus very much on camera accessories," Mark Winge said. "Basically they just talk about the cameras themselves. But in San Diego we intend to start emphasizing these more — mainly because accessories is where the profits are."

As far as camera comprehension is concerned, Moser opined that, "Photography selling is more complicated than selling consumer electronics. Most people who buy a stereo, radio, etc., at least know how to turn on a set, and the basics of it. And after the initial hook-up, not a lot of technical expertise is required. In photography a good number of customers have no idea of what's required, but they must constantly apply technical experience in order to take a good picture. So we need people in the departments that can educate the customer."

"Another thing I think is detracting from our photography department sales," Ole Olson said, "is that our over-the-counter film processing is not handled by the photography department but is conducted by the personal services department. As a result, most of the film drop-off points aren't in the camera department. In the civilian sector most photo dealers make their money and build their traffic on o-t-c processing. I think that NAVRESSO may reconsider this eventually.

"I also think we are missing the boat to a degree in movie camera/

(Continued On Page 26)

NAVRESSO PHOTOGRAPHIC SALES
FY 1980
$29,212,000 (Worldwide)
$18,357,000 (ConUS)
$10,855,000 (O'seas)

Candid Camera Coverage

(Continued From Page 22)

projector sales. We just don't seem to be getting our share of this market in Navy exchanges," Olson said. He noted that in general movie sales are flat, which may be a result of the growing popularity of videocassette recorder and camera sales, which would tend to eat into the market.

Hammond added that if sales clerks were able to explain the advantages of movies over VCRs — the cassettes will tend to fade after a while, movie film won't, and movie film can be transferred to videocassettes — perhaps more customers would give movie cameras serious consideration.

"We are going to try to beef up this area," Olson said.

Despite these perceived problems, the buyers said that the Navy exchange B-1 departments tend to be high volume. "So we must be doing something right," Moser said. "Our sales are increasing. For example, in the San Diego FSO area, we are ahead this year by about 23 percent compared to the same period last year."

Perhaps it is because of the monthly department meetings held at the San Diego FSO. Moser said that department managers, visual merchandising specialists and store managers are invited to the monthly morning meetings to talk about the products, upcoming promotions, how to build good point-of-sales displays, and so forth. "Hopefully the managers go back to the stores and share the information with the clerks in the department," Moser said.

Olson added that not all the buyers include the department managers in these monthly meetings, even though the store personnel are really key in running an effective department. "I can see the difference in sales between those who do and those who don't."

Bright Spots

The buyers cited several areas where they expect sales to be brisk and to increase.

One area is the compact, 35mm rangefinder market, which they believe will continue to be popular because it offers customers easy-to-use cameras but good 35mm photos. Features such as auto-flash, auto-focus and self-winding all will remain popular, they say because the user doesn't have to do too much.

Olson said he was quite optimistic about instant cameras because of the improvements in the cameras and the film —the cameras really offer good results. "I expect that in the future the major manufacturers of instant cameras will introduce even more advanced items. The popularity is caused by the instant society in which we live — people want instant gratification and these cameras offer it in a photographic situation. Also families are becoming multi-camera owners — having a 35mm, a pocket camera and an instant one, each to use in different situations."

"Camera trends mirror fashion trends," Moser said. "There are cycles. For a while it was quite fashionable to have a lot of weighty, 35mm camera equipment to schlepp around. But now it seems that consumers want something simple and light to carry — something that is much like the early cameras in size and operation, but that offers much better photographs because of technological advancements."

The 110 cameras are holding their own, the NAVRESSO buyers agreed. Olson said that many customers were attracted to Minolta's Weathermatic-A, 110-format camera, which was introduced last year. The small, yellow camera floats on water and is sturdy enough so that it is suitable for photography during active sports and in rugged conditions.

And of course the 35mm single lens reflex cameras continue to be a boom market, the group noted. "Once 35mm was a dirty word to consumers, now they all seem to want such a camera, and a lot of camera owners are trading up to SLRs." Olson said.

Overwhelmingly, Canon's AE-1 was the most popular SLR camera in Navy exchanges last year, according to sales reports. It accounted for 30 percent of SLR dollar sales and 27 percent of SLR unit sales in ConUS exchanges.

"SLR kits also are popular with customers — and we get the added bonus of tying in accessories with the SLR sale. We will be emphasizing these more," Olson said.

Olson added that he had heard about one or two companies who would be introducing inexpensive dedicated flashes that operate on several cameras: "I'll be giving these serious consideration.

"Overall we'll be looking for good deals so that we can promote our departments more this year," Olson added. "We know we eventually will get the right mix and promotion schedule to make our departments really click." (MM)

PHOTO SALES AT U.S. MILITARY BASES, 1979(1)

Products	Domestic Sales	Overseas Sales	Worldwide Sales	Percent
Still cameras	$24,321,098	$ 18,586,528	$ 42,908,226	25.1%
Movie cameras	8,172,878	5,674,000	13,846,878	8.1
Photoflash equipment	6,991,257	5,317,079	12,308,336	7.2
Photo accessories	7,975,941	5,699,987	13,675,928	8.0
Slide projectors	3,446,394	2,194,926	5,641,320	3.3
Movie projectors	4,726,484	3,650,022	8,376,506	4.9
Films	38,402,681	27,925,572	66,328,253	38.8
Other	4,431,078	3,432,581	7,863,659	4.6
	$98,468,411	$72,480,695	$170,949,106	100.0%

(1) Army and Air Force Exchange Service and the Navy Exchange System. Marine Corps Exchange and Coast Guard Sales Exchange estimated as a percentage of Navy exchange sales

Source: Wolfnas Report

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Candid Camera Coverage

Focus on the AAFES Picture

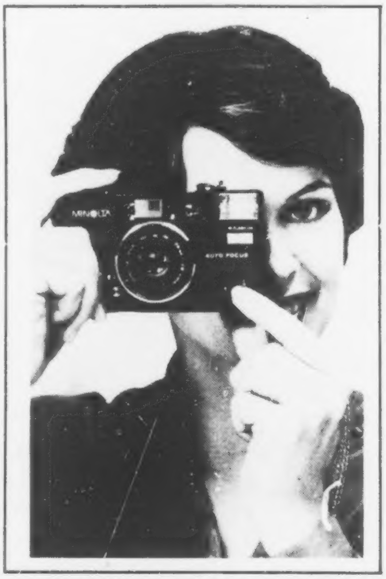
AAFES SOLD almost $100 million in photography products last year — a figure that certainly has a healthy glow. But the huge international military retail organization wants to do better in the coming years. The AAFES photography department buyers, on hand at the 1981 Photo Marketing Association Show in Miami Beach, discussed their ideas for camera counter improvements with MILITARY MARKET. Here's what they had to say.

Consumers Focus on New Areas

AAFES sales records show that consumers are shifting their purchases to photographic products that only a few years ago were low volume sellers. The new growth items in PXs and BXs are: zoom lenses, compact 35mm cameras, non-original-equipment dedicated flashes, and 35mm single lens reflex (SLR) kits, which include a camera body and lens and such accesories as a flash and camera bag.

Correspondingly, some areas have experienced sales slowdowns, the buyers report. Not surprisingly, Super 8 movie equipment sales have been flat, just as in the overall industry. The 110-format cameras and instant photography products also have not been growth areas. The sales slack in 110-format and instant photography products has been taken up by growing sales of both 35mm rangefinder and single lens reflex products, the buyers report. However, there has been no product category that is replacing slowing sales in the Super 8 movie equipment area. Although buyers believe that the videocassette camera/recorder market is causing consumers to lose interest in Super 8 movies, the high price of VCR products prevents many customers from purchasing this equipment.

Frank Savarese, Audio/Photo Branch Chief, said that the consumer just tends to get turned off to movie equipment in general, and doesn't buy anything. "What we really need is the space to set up projection equipment to show customers how good Super 8 movies can be," Savarese said. "But our space limitations inhibit that. What has happened is that the depressed sales have caused us to put less emphasis on the products, further depressing sales. It has become a real downward cycle."



MINOLTA's Hi-matic AF2 35mm rangefinder camera is part of the growing automated camera function trend. It features automatic focusing, automatic exposure and automatic flash. And it has an audible-visible warning system to help prevent poorly exposed or out-of-focus photos.

Another area Savarese said is hurt by space limitations is the darkroom equipment category. The trend in the overall retail photography industry is toward growing sales of these photographic do-it-yourself items, because more serious hobbyists are trying to save money through home film processing. With the recent introduction of simplified darkroom systems, market observers predict that interest will continue to grow. However, AAFES isn't in the darkroom equipment business to any great extent in ConUS, and overseas sales haven't been growing steadily either, Savarese said.

"What we really need is space to set up a small darkroom area, and show customers just how the process can work," Savarese explained. "But that is not a real possibility in even our largest stores. So we will just be watching this area."

New Training and Trends

Since the buyers all agreed that lack of clerk product knowledge is the biggest problem to booming sales, AAFES has decided to upgrade its training efforts. First, a new training catalog was released early this year. It contains a page of information on each product carried. Second, the Audio/Photo Branch has requested that a training specialist be hired, one who would spend the vast majority of work time traveling to bases and conducting small training seminars. And third, the traditional regional training seminars also will be held in each area this year, giving manufacturers a chance to come in and meet with the sales clerks.

What the buyers really want is photo counters staffed with people who combine the personality and looks of Cheryl Tiegs with the product knowledge of Ansel Adams. What they're willing to settle for, however, is an enthusiastic photographic sales person who reads the product literature prodigiously, talks with manufacturers' sales people whenever possible, waxes enthusiastic with customers and also exchanges ideas and information with other photographic clerks. Having the products 85-90 percent in stock, particularly in the heavy Christmas and graduation buying seasons, also is important, they say.

Hopefully clerks will live up to their expectations because a

(Continued On Page 32)

AAFES PHOTOGRAPHIC SALES
FY 1980
$96,435,195 (Worldwide)
$73,122,764 (ConUS)
$19,717,137 (O'seas)
$ 3,595,294 (Catalog)

Candid Camera Coverage

(Continued From Page 30)

whole new generation of products is expected to be coming down the pike, according to the buyers.

One area where they expect to see a good deal of activity is in new dedicated flash equipment, which functions as an integral part of the camera, setting shutter speed or aperture opening automatically. They noted that a number of manufacturers are introducing dedicated flashes that can operate with most major brand 35mm cameras — and at a lower price than camera manufacturers that have made these flashes to fit their own products. The consumer also wants automated functions on cameras, even the top-of-the-line 35mm SLRs, the buyers said; thus this is an area that sales clerks should learn and understand.

Customers are interested in extra lenses for their 35mm cameras as well and since AAFES now sells camera bodies and lenses separately, the clerk will need to understand the various lenses even better. Zoom lenses, because of their regular shot and long-distance shot capabilities, are the area where consumers are showing the greatest interest, the buyers said.

Sharpening Profitability

"Giving AAFES customers a significant savings on 35mm SLRs, while still turning a profit on the cameras is quite a challenge," Savarese said. "Last year we reduced the mark-up on about nine of our leading SLRs, to give customers better savings. We are trying to make up for that earnings drop with our accessory sales, which are quite profitable. Actually few outlets make more than a 16-17 percent profit on SLRs although that's just too low. So accessories become very important."

Photo finishing is really where most dealers make their money, and AAFES is no exception. Sales of film and film processing have been growing steadily in PXs and BXs, buyers reported. And now Savarese has responsibility for letting the processing contracts, which in the past have been let on the regional level by contract managers. "What I am going to do is try to significantly improve our express service so that customers really can get 24-hour turnaround, rather than two or three days, which is the case now," Savarese said.

He explained that a photo finishing expert will be hired at AAFES headquarters to oversee this area. In conjunction with this, processors who do not live up to contract specifications may be more easily terminated, he noted. To spark consumer interest, more processing discounts such as 25-percent-off coupons have been offered customers, and this has increased sales.

$100 million in sales isn't a figure to sneeze at, and as buyers improve and refine their marketing procedures they expect to top that figure by as much as 20-25 percent in some areas — no small increase in an already strong sales area.

Making SLR Sales Click

MUST RETAILERS become accustomed to very low margins on 35mm SLR cameras and not even try to make a profit on the ones they sell? John Dickenson, owner of Lens & Shutter Cameras, Vancouver, BC, Canada, doesn't believe that profitability in 35mm SLRs should be totally overlooked. And there are some steps he thinks can be taken to increase margins on sales made for these high-end cameras. He talked about these at a breakfast seminar during the 1981 PMA Show in Miami Beach.

First of all, and not surprisingly, add-on sales become extremely important if the retailer feels pressured into matching the loss-leader prices of competitors. One way to insure good add-on sales is to sell camera "kits" which include such extras as flashes, carrying cases and other small accessories, Dickenson said. "This method becomes particularly profitable when the add-ons are 'brand-X' type items, which have quality but aren't necessarily heavily promoted name brand products."

Dickenson also says that dealers should get tougher with distributors and manufacturers. "I would encourage retailers to downplay the unprofitable brands they may be carrying and let distributors know why they are doing this." In conjunction with that, Dickenson said that retailers should consider carrying fewer lines of cameras and thus work primarily with the distributors who offer the most support in the way of profitability, promotion and training.

At the same time, so much attention should not be given camera profitability that retailers overlook turnover, Dickenson said. A camera with a relatively low profit margin but that turns ten or twelve times a year can be just as valuable as one with high margin but a low turnover rate.

In general, Dickenson lamented the tendency of distributors to push unit sales so much that they make it difficult for dealers to operate profitably. "We have distress pricing in an extremely fast growing industry," Dickenson said. "Perhaps we should say to the dealers,'Okay, we'll sell the cameras at cost but charge you a commission for the sales.'"

He noted that Agfa-Gevaert is actually doing this with its new line of SLRs. The company is selecting a group of about 300 dealers to carry the cameras in Germany and giving the stores a commission when the cameras are sold. "Maybe that's the direction we should be going in," he quipped.

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Frozen Foods

Coping With Shoppers' Cold Shoulder Treatment

By

John A. de Ferrari

What with rising energy costs and the high priority being given to freshness and nutrition, shoppers are becoming disenchanted with frozen foods. After years of solid growth, the category is slowing down. Nevertheless, certain items, especially juice concentrates and pudding (believe it or not) are taking off.

ONLY A FEW SHORT years ago, unit movement of frozen foods was growing at an annual rate of three percent — a very encouraging figure for such a broad category. Yet by 1979, the growth rate had fallen to 1.2 percent. Just last year frozen foods rose at only half that rate (0.6 percent) according to SAMI. Although talks with military sales managers indicated that frozens may be holding up better in the military, nevertheless the category is losing some of the tremendous appeal it has had in the past.

Studies have shown that to the average customer frozens have a reputation for convenience and quality, and this is what has accounted for their past history of growth. Recently the quality factor seems to be taking precedence; shoppers are turned off by convenience foods that look too cheap or non-nutritious. While shoppers still cite convenience as an important factor for foods, their buying habits show a significant trend towards simpler, more basic foods such as fresh produce, according to a recent survey. Accordingly, some of the major convenience foods such as frozen entrees and T.V. dinners are losing steam.

SAMI reports that frozen dinners, which declined 8.9 percent in 1979, fell a further 9.5 percent in 1980. Similarly, a recent survey of grocery store shoppers found that many more people plan to cut down on frozen entrees in the decade ahead, with only a small percentage (eight percent) who plan to buy more.

The slippage in entrees was noted by industry sources that MILITARY MARKET spoke with, but the difference between the military and civilian markets in this area is significant. Entrees and T.V. dinners are probably not dropping off as rapidly in the military as in the civilian sector. "The military is hanging in there," one source said. "Military shoppers include lots of two or three-member families. For these people the convenience of frozen dinners is of major importance." Dinners and entrees account for some 44 percent of frozen food sales in the military, according to the *Army Times* research department.

Juiced Up Sales

A commissary's frozen food case is really in many ways a complete miniature grocery store in itself. It has a number of subcategories and includes every kind of food. Some of these subcategories are showing impressive movement and climbing sales despite the fact that frozen foods as a whole are only making the slightest of gains.

Juices and drinks are on of these growth areas. SAMI reports that tonnage increases in 1980 over 1979 amounted to 10.5 percent.

The major factor by far in frozen juices and drinks is orange juice, which accounts for 74 percent of all frozen juice and drink sales. Tonnage movement was up 10.6 percent for orange juice in 1980, and 1981's original prospects were for a bigger orange crop than Florida had ever produced.

But that was before several nights of subfreezing weather in mid-January, 1981 that resulted in the "worst freeze of this century" for Florida citrus groves, according to a major industry periodical. Final figures arrived at by the U.S. Department of Agriculture and the Florida Department of Citrus state that approximately 30 percent of the 1981 crop, or 65 million gallons, was lost because of the freeze.

Frozen concentrate orange juice (FCOJ) sold at a wholesale level of around $3 per dozen 6-ounce cans prior to the freeze, but quickly jumped to $3.55 and then $3.85. Currently the pricing is over $4.25, according to *Frozen Food Age*. The later price hikes reflected announcements that the damage caused by the freeze were worse than preliminary estimates had suggested and involved significant damage to both early season oranges and later-maturing Valencia oranges.

Next year's orange crop will also be affected by the freeze, although to what extent is not yet certain. Malcolm Anderson of **Lykes Pasco Packing Co.** explained to MILITARY MARKET how the 1982 crop will be affected:

"Because of the severity of the

frost, the majority of trees lost their leaves. This is an abnormal occurance because orange trees are usually evergreen. Therefore in March, when the trees usually set blossoms that will lead to next year's fruit, this year they were too busy rebuilding their leaves. So next year's crop is already off-schedule."

The lowered expectation for FCOJ production next year will mean that part of this year's already reduced juice supply will have to be saved in order to provide an adequate carryover for next year's pack, Anderson said.

Orange juice from California and Brazil is likely to take up some of the slack in Florida grown juice but will not completely alleviate the situation, according to industry sources.

"The Brazilian product is made from Valencia oranges that are not as sweet as Florida's," Anderson said. Lykes Pasco plans to make use of Brazilian orange juice as a fill-in but will only use certain limited percentages blended in with Florida juice. Anderson said Florida oranges are superior to Brazilian oranges because of a "Catch-22" situation involved in their production. The best, sweetest oranges are those grown closest to the freeze-line — where they are also most in danger of being ruined by a freeze.

All in all, considering that the orange supply before the freeze was unusually large, sales of orange juice could well come close to last year's figure. Despite the higher prices, no one believes that orange juice will lose its predominant position in the frozen juice concentrate category. Manufacturers say that promotional activity for FCOJ will continue this year but will not be as deep or as frequent as originally planned.

Once all that is said and done, however, a not insignificant number of shoppers can be expected to be discouraged by FCOJ's price and turn to other types of juices. "Our experience from the 1977 orange freeze shows that people who drop orange juice almost all opt for some other kind of natural drink," Anderson said. The prime candidates in this category include grapefruit, apple, and grape juice.

A Sure Winner

Even before the freeze occurred, frozen and chilled apple juice had been growing by leaps and bounds. According to SAMI, frozen apple juice volume jumped 41.7 percent in 1980, edging out grape juice as the number three selling frozen concentrate (behind lemonade and orange juice). Its continued growth will be aided by a USDA-projected record 1980-81 apple crop. Industry sources have said that significantly increasing percentages of the apple crop are being used for the making of apple juice, which is rising in popularity in bottled form as well as it is in frozen concentrate.

Frozen apple juice is such a sure winner that several major companies have entered the field recently, competing against the two

(Continued On Page 36)

Energy And The Freezer Case

DISPLAY CASES for frozen and refrigerated foods are one of a commissary's major energy consumers. Three types of freezers have commonly been in use throughout the grocery industry and each has a different level of energy consumption. Glass door uprights are the most efficient, while open chest-type or "coffin" cases are also efficient. Upright multideck cases are the least efficient, and now there is a decisive trend in the grocery industry to phase out these cases and/or convert them to glass-door uprights through a process called "retrofitting."

According to the Commercial Refrigerator Manufacturers Association, sales of open multideck cases dropped 34.7 percent last year, while single-deck cases gained 1.5 percent. This trend reverses the tendancies of a decade ago when energy was not a problem and multidecks were favored for their supposed merchandising superiority. From a high of 46.5 percent of the total freezer case market in 1971, multidecks have fallen to a mere 13.8 percent in 1980.

The big question is, if you've already got multidecks in your store, what can you do to stop wasting so much energy? Retrofitting is one solution; you simply have glass doors installed over the open part of the cases. The main problem with this is that glass doors cost a commercial grocer from $300 to $400 per door and may not be affordable at all or worth the expense if the cases themselves are old and due to be replaced soon.

One less expensive solution is retrofitting with vinyl slats, as pictured. **Access-Shield, Inc.** has developed "Tension-Tite," which sells for about $65 to $75 per foot and is designed for use on refrigerated display cases where it is said to dramatically reduce energy costs by two-thirds. Tension-Tite has already been installed at the Norton AFB commissary and may soon be installed at Fort Ord and Fort Lee. Access-Shield is currently developing similar products for use on multidecks and beverage coolers.

Rather than being turned off by such shields, customers are often impressed by a store's efforts to conserve energy and appreciate not having to freeze themselves when shopping for frozen foods. The slats are removable in panels for easy restocking.

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Frozen Foods

(Continued From Page 35)

market leaders, **Tree Top, Inc.** and **Seneca Foods Corp. The Coca Cola Company's Foods Division** is just introducing its Minute Maid frozen apple juice concentrate nationwide. Also, Lykes Pasco introduced a frozen apple juice (as well as grape and punch drink) under its Floridagold brand name to the military market in April, offering 20 to 38 percent introductory VPRs.

A source at Seneca Foods told MILITARY MARKET that "apple juice should stay fairly steady" in terms of price this year. But other commentators noted that prices are likely to increase somewhat to reflect the greater demand resulting from FCOJ's high price. In any event, the product should remain a good buy.

Grapefruit juice, usually one of the more expensive frozen concentrates, is expected to sell below orange juice this year, and the possibility is open that grapefruit can significantly increase its share of the frozen juice market. Grapefruit is grown in the same general areas in Florida that oranges are but managed to survive that January freeze in much better shape than the orange crop. Two factors are responsible: grapefruit has a thicker, tougher skin that provides the fruit with better insulation than oranges, and since the fruit is physically

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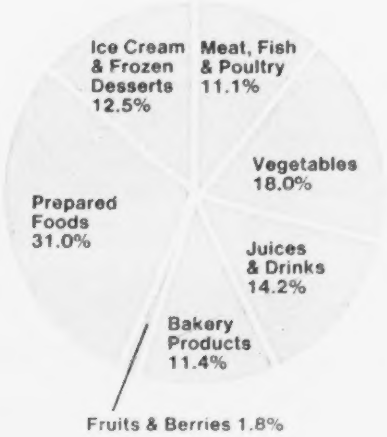
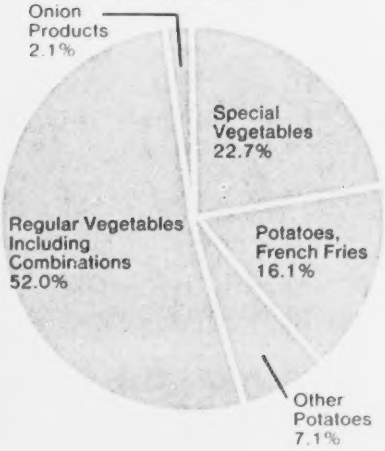
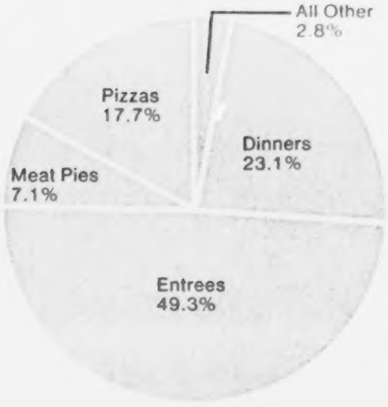
Frozen Food Sales in Commissaries Worldwide, CY 1979 Total: $276,456,700



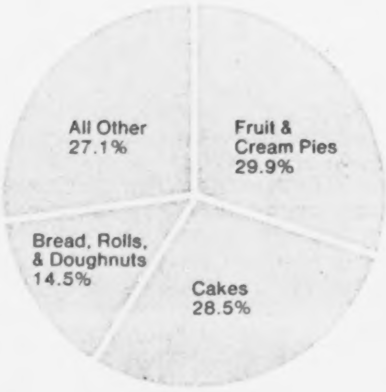
Frozen Vegetables $49,762,200



Frozen Prepared Foods $85,701,600



Frozen Bakery Products $31,516,100



SOURCE Research Department, Army Times Publishing Company

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the CRUST you can TRUST!
JENO'S
EXTRA SPECIAL
PLUS JENO'S FLAVOR SHAKER
TASTY CRUST
AL SIZE)
ion Pizza
NET WT. 22.5 OZ. (1 LB. 6.5 OZ.)
the CRUST you can TRUST!
JENO'S
EXTRA SPECIAL
FLAVOR SHAKER
CRISP & TASTY CRUST (PIZZA FOR ONE)
Combination

JENO'S "Extra Special" pizza is one example of an industry-wide trend towards upgrading pizza both with better crusts and higher quality toppings.

(Continued From Page 36)

larger than an orange the freeze couldn't go all the way through it as easily. According to the USDA, only about seven percent (3.5 million boxes) of the grapefruit crop was lost to the freeze.

Pizza's Pizzazz

In recent years pizza has become a category unto itself, showing its own distinctive growth rate independent of both the frozen dinner and entree category and the snack foods section.

Pizza used to be a snack food eaten primarily outside of the home, but over the past seven or eight years it has grown substantially as a frozen food prepared in the home. Manufacturers cite pizza's ideal characteristics as an inexpensive, easy-to-prepare, and tasty "meal substitute" as the main reason for its rise in popularity. "The combined appeal of pizza as both a snack and a meal transformed pizza from a specialty to a commodity," George Masko, president of **Jeno's, Inc.**, told MILITARY MARKET.

"Seven years ago (1972) the frozen pizza industry amounted to national sales of $172 million," Masko said: "In 1980, retail sales were $710 million. By the mid-80's, you'll see pizza up 44 percent in dollars, making it a billion dollar category among frozen foods. The demographics supporting such growth are all favorable, principally because frozen pizza has established and can maintain a favorable price-value relationship to fresh alternatives such as pizzeria pizza or home-made pizza." Pizza's growing popularity has now begun to spawn a number of spin-offs, such as pizza-bagels, french bread pizza, and a pizza-like sauce.

As with a number of grocery product categories, the pizza market splits into two basic segments: the quality segment — those shoppers wanting the most "deluxe" pizzas, and the economy segment for those who don't want to spend more than a dollar and a half for a pizza.

The quality segment seems to be the one most producers are pushing for. "Recently the economy segment has been growing due to the state of the economy," one military sales manager told MILITARY MARKET, "but long-term growth will be in the quality segment." Almost all the major pizza manufacturers have recently introduced line extensions or revamped their existing lines to upgrade them and make them seem more like pizza "fresh from the corner pizzeria," as the military sales manager explained.

General Mills, Inc. has pulled its old Saluto line and replaced it with a new premium Chef Saluto line in completely redesigned packaging. A source at General Mills told MILITARY MARKET that case sales are up 40 percent nationally since the product was introduced in November. The **Pillsbury Company** has been expanding its Totino's line to include top-of-the-line "Classic Pizza" and mid-priced "Extra!" as well as the economical "Party Pizza." Jeno's, likewise, has expanded the upper end of its line with a new "Extra Special" product, available in both single serving and meal sizes.

The key to many of these new products is a crisper crust. "Crust is still rated by consumers as the most important characteristic of good pizza, followed by quality, value for the price, and toppings," said Jeno's President George Masko. Jeno's has developed a new Crisp 'N Tasty® crust, which it is using to strengthen its entire line. Totino's and Chef Saluto also feature special "crisp crusts."

Some companies currently use substitute cheese and even substitute meat (especially for sausage) in their pizza products. A proposal currently before the Food and Drug Administration could require manufacturers to state in large type on their packages that their pizzas are made with substitutes. If the proposal is adopted, manufacturers are likely to have to face increased consumer resistance to their substitute-made products, according to an industry source.

Frozen Foods

Vitality in Varietals

Frozen vegetables have grown steadily over the years. One industry source told MILITARY MARKET that pound per capita usage of frozen vegetables has grown 26 percent from 1960 to 1979. Frozen vegetables are now fully accepted as quality products that have the extra convenience factor that fresh vegetables don't.

The most significant recent trend has been towards what are known as "varietal" vegetables, those vegetables offered in special theme mixes or in cheese sauces and the like. The Birdseye division of **General Foods Corp.** is introducing a new "Blue Ribbon" line of mixed vegetables to cater to this market segment. A source at General Foods said that while these kinds of vegetables are continuing to grow, the basic commodity types are selling at a more or less flat rate. The source also noted that shoppers are tending to prefer the new polybag packaging to the traditional 10-ounce boxes for frozen vegetables.

The varietal vegetable mixes generally appeal to the "young professionals," the General Foods source explained, whereas the basic commodity types — corn, beans, peas, etc. — are favored by heads of families.

Diversity in Sweets

Refrigerated and frozen sweet goods and desserts are one of the more active frozen foods categories last year according to SAMI, which records a 7.8 percent tonnage increase in 1980 over 1979. Frozen desserts are in themselves a diverse category, with some products making significant gains while others are flat.

Though it represents only a tiny segment of the frozen foods market, frozen pudding chalked up the greatest volume increase of any frozen food last year: 86 percent, according to SAMI. Pudding, which is sometimes considered a frozen novelty rather than a dessert, has benefitted from recent technological gains that make it possible to freeze the product in much the same way as ice cream while still allowing it to retain its own unique taste and "mouthfeel." **Michigan Fruit Canners** is currently rolling out a whole new line of frozen pudding treats under its Thank You brand name in anticipation of continued strong growth for frozen pudding.

In general, the interest in frozen sweet goods seems to center around light breakfast pastries such as Danish rolls. "With eating habits becoming more informal we know today's consumer is looking for products that can be eaten with a meal or for snacking anytime of day," David C. McSwain, Retail Vice President of **Sara Lee, Inc.** told MILITARY MARKET. Sara Lee has recently introduced several new items in the light pastry category, including "individual Danish" in apple, cheese, and cinnamon-raisin flavors and "Country Danish" in apple, cheese, and cherry. Also introduced have been "Sara Lee For Two" smaller versions of six of the company's most popular cheesecakes and coffeecakes. The strongest competition for frozen goods of this type are fresh baked goods that are appearing in greater numbers and varieties in many commissaries.

pudding treats
pudding treats
pudding treats
pudding treats

FROZEN pudding, such as Michigan Canners' Pudding Treats, may be a major frozen dessert item if present growth rates continue.

A Frozen Foods Revolution?

A NEW technology for preserving foods has been developed by Rich Products Corp. that the company argues is "the most significant accomplishment in frozen foods in decades."

The process, called Freeze Flo®, allows products in the intermediate-moisture range (20-30 percent water) to be frozen in such a way that they retain their soft or liquid texture —in effect freezing them without freezing them. Thus the company's Chocolate Eclairs, for example, can be pulled straight from the freezer and eaten immediately; the cream filling inside stays perfectly creamy.

The Freeze Flo process, which keeps the water within the product from crystallizing at 32° Fahrenheit by binding it to other compounds such as sugar and fats, has a number of advantages besides just convenience. It saves energy in freezing by avoiding the crystallization process and also severely inhibits bacterial growth, thus allowing frozen foods to be stored for longer times with no deterioration.

While Chocolate Eclairs and Cream Puffs are the only Freeze Flo items now on the market, the technology has future applications for many other items, including orange juice concentrate, fruit pies, icings and sauces, and batters for cakes and pancakes. General Foods Corp. has already bought rights to use Freeze Flo® in some of its products.

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The Problems in Dallas...

As the number of organizations investigating buying problems within AAFES has increased and the number of indictments in connection with the problems has grown, two questions appear to have remained unanswered: (1) Is there an organized system of bribery and corruption within AAFES? and (2) Have the buying problems hurt customers in terms of selection, quality of merchandise, or prices?

To answer these questions, the Army Times Publishing Company, MILITARY MARKET's parent organization, put a team of two reporters — Laurie Parker of the Army Times News Service and Winston Wood of *Federal Times* — onto the story. The two worked for a three-month period under the direction of Bruce Covill, chief of the News Service office and formerly the Editor-in-Chief of MILITARY MARKET.

Altogether, the team interviewed more than 150 people in and around AAFES, visited three of the five ConUS regions, three distribution facilities, six stores and most of the divisions at AAFES headquarters in Dallas. They talked officially and on background with current and former top AAFES officials, many people involved in selling to AAFES, officials responsible for every investigation of AAFES currently under way, congressional sources, DoD sources, and many, many more.

In the story that emerged, the details of how an organization as large and complex as AAFES supplies $4 billion worth of merchandise to customers worldwide became intertwined with a seamy saga of bribery and corruption. To understand how the corruption could exist, one must understand how AAFES works.

Consequently, this special magazine section covering the problems in Dallas goes well beyond answering just two questions, and touches on the mechanics of the Justice Department investigation task force operations, a past Europe-based scandal, and the procedures that buyers have to go through to bring merchandise into the stores.

But the heart of this story is those two questions — is there an organized system of bribery within AAFES and have the buying problems hurt the customers? — and the answer to both questions is "No," our reporters found.

The problem of AAFES employees receiving gifts of various types is indeed a serious one, but it reflects more of a lax attitude than an organized conspiracy. And, except in a few isolated cases, AAFES shoppers have not received shoddy goods or been subject to increased prices because of the illegal acts that have taken place.

But one other finding emerged from the team's investigation: Top AAFES management was very slow to recognize that a problem existed, and could have prevented many of the minor infractions by strict enforcement of the existing standards and quick punishment of offenders.

Despite all of this, no one the team interviewed believes that AAFES itself is corrupt to its roots. But it *is* an organization that has problems.

The 'AAFES Scandal'

The investigations in Dallas are well into their fifth year, but there's no end in sight to the system-shaking revelations.

IN AUGUST OF 1975, AIR Force Col. Robert M. Sullivan Jr., who was then chief of the services division at the Dallas headquarters of AAFES, received a tip about a bid-rigging scheme involving AAFES construction projects.

Since AAFES' management had not turned up any evidence of such a scheme through its normal audit procedures, the case was turned over to the Dallas office of the Federal Bureau of Investigation.

Four and a half years later, that tip on bid-rigging of construction projects has led to the conviction of 10 AAFES employees and 14 vendors on a variety of charges involving fraud and bribery in many types of AAFES contracts. An eleventh employee is currently awaiting sentencing. Sixty-one civilian firms or their employees have been suspended from doing business with AAFES or other U.S. government agencies. Thirteen of AAFES' civilian employees have been fired or have quit under pressure for violating the organization's code of ethics, and another 16 have been suspended, reprimanded or counseled.

The "AAFES scandal," as it's being labeled, has led Rep. Dan Daniel (D-Va.) to appear on national television, warning the services either to "clean up" the exchanges or lose them. Newspaper accounts have estimated the total of bribes paid to AAFES employees at more than $10 million. And MILITARY MARKET has learned that the federal task force investigating the corruption in Dallas has evidence that more than 100 additional AAFES employees may have been involved in wrongdoing.

So is AAFES a corrupt organization?

Although the instances of corruption uncovered to date appear to be systematic to a point, even the exchange service's most severe critics told MILITARY MARKET that AAFES overall is not a corrupt organization. In several areas — toy, clothing and construction contracts, in particular — small conspiracies did exist involving vendors and AAFES employees. Court testimony and convictions show several instances of an AAFES buyer, his supervisor and, in one case, even a deputy region chief, receiving money from the same sales agents. And there is strong evidence that relatively minor violations of ethical standards, such as receiving samples of merchandise, entertainment or small cash gifts, happened fairly often in AAFES' buying force.

However, no one contacted by the team of reporters sent out by the Army Times Publishing Company believed that more than a small number of the 62,000 AAFES employees were really corrupt. And no military person assigned to AAFES ever has been implicated in any wrongdoing.

Are shoppers being ripped off? The reporters found only two specific instances in which a bribe resulted in goods being purchased that probably would not have been bought without money changing hands. One of these involved military uniforms in odd sizes, and the other involved small plastic toys.

Investigators, AAFES officials and several of those convicted all have said that most of the items purchased by AAFES buyers in connection with a bribe involved normal goods of a type that would have been bought anyway. The bribe merely guaranteed that a certain firm would get the contract over other firms offering equal goods.

In terms of price, it was learned that the money paid to AAFES employees usually came out of commissions paid by manufacturers to their sales agents, and were not added on to the cost of the goods to AAFES. The sales rep was willing to give up part of his commission to guarantee the sale.

One other important finding emerged from the reporters' investigation: many people who are familiar with the cases feel that AAFES management has not been as aggressive as it could have been in ferreting out and punishing wrongdoers in the organization. Several sources pointed to instances where quick, stern action could have put employees on notice that what is being called a "permissive" attitude toward minor violations of the ethics code no longer would be tolerated. Similarly, more aggressive action by management in probing contracts and "debriefing" convicted employees could have provided leads to other wrongdoers and ideas on plugging loopholes in anti-fraud procedures.

The Bid-Rigging Complaint

The whole scandal might never have been revealed if George T. Connell of the Connell Construction Company in Dallas hadn't complained to Col. Sullivan about the bid-rigging scheme.

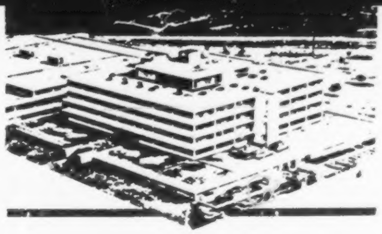
As described at the time by Connell and detailed in later court testimony, the scheme involved an offer to sell him inside information on other contractors' proposals submitted to AAFES. When supplied with these figures — which were obtained by Charles M. Kahn, head of a local military sales firm, a man who had contacts at AAFES — the contractor then could change his proposal, guaranteeing that he would win the contract as low bidder.

As the result of initial inquiries, the FBI found that four construction firms had submitted modified bids under the scheme. In each case, they had acted on information supplied by Kahn's firm, Service Associates, Inc.

Kahn, two AAFES contracting officers and four contractors eventually were convicted of federal conspiracy charges involving defrauding the government on construction projects.

But after agreeing to cooperate with investigators, Kahn began to tell them about other times he had given money to AAFES employees. And some involved the purchase of merchandise to be sold in exchanges.

Kahn was the first witness to tell federal investigators that, "it was common knowledge among those who sold merchandise to AAFES that AAFES buyers expected to be 'paid' if their merchandise lines



The 'AAFES Scandal'

were to be bought by AAFES." Other sales agents have testified along similar lines in subsequent trials.

In his testimony, Kahn admitted giving $500 apiece to AAFES garment buyers Florence Erb and Phyllis Stiver on behalf of a dress manufacturer named Eve Le Coq. Erb, now deceased, and Stiver eventually pled guilty to accepting gratuities and were fined $1500 each and sentenced to two years' probation. Kahn received a five-year prison term and a $5000 fine. All the companies involved were suspended from doing business with AAFES.

With the leads provided by Kahn, the investigation into AAFES was broadened substantially. In August 1976, the Justice Department formed a task force under the U.S. Attorney in Dallas. Eventually this would involve Justice's own Public Integrity Section, the FBI, the Internal Revenue Service (IRS), the Air Force Office of Special Investigations (OSI), and a federal grand jury.

A second grand jury was formed in San Antonio in 1978 to handle the leads in the Dallas part of the investigation that suggested there was also wrongdoing in AAFES' Alamo Exchange Region, which is headquartered in San Antonio.

While uncovering "white collar" crime is a major goal of the Justice Department, and sources close to the task force say that the AAFES case is receiving top priority with them, it is also a very difficult type of crime to prove. A recent FBI survey, for instance, estimates that the average white collar conviction requires 1000 hours of work by investigators and prosecutors.

Getting A Cooperative Witness

Sources have said that the federal investigators must depend on turning up a cooperative witness to get a "break" in a case. But since most AAFES bribes disclosed in court documents have been paid in cash or via blank money orders, few records of payments exist.

To prove a bribery case, the task force must show that money changed hands for the purpose of influencing the AAFES employee's actions. Proving just that money changed hands — without proving that actions were influenced — amounts to the lesser offense of giving a gratuity. The task force so far has not prosecuted anyone at AAFES for receiving only small gifts, lunches or dinners, but has left it up to AAFES management to deal with these violations of its standards of conduct.

One of the main tools used by the task force in its investigation is the "plea bargain," in which a suspect agrees to cooperate with investigators and give testimony against others in exchange for a lighter sentence, or even is given immunity from prosecution altogether. In some instances, the task force reportedly has "wired" cooperating witnesses, recording their conversations with AAFES employees or with vendors.

Sources have said that, once a lead is developed, the task force starts probing the individuals named, beginning with an audit of the area of AAFES procurement involved. Company documents are requested or subpoenaed, and anyone with knowledge of the case may be called before the grand jury to testify.

The task force also has obtained court orders against three people, compelling them to testify before the grand jury even though they had claimed Fifth Amendment protection against self-incrimination.

Another task force tactic that has drawn severe criticism from AAFES employees is the listing of an AAFES employee as receiving cash when a company or businessman has been indicted — but not actually charging the AAFES employee with a crime.

Five AAFES employees have been "named" without being charged so far, including the top civilian in the agency, Ed Smith, Assistant to the Commander. An August 1, 1980, indictment against Churchill Sales Co., Inc., for instance, says that Churchill paid Rex J. Price, manager of toy sales, $15,000 to influence his actions. A "factual resume" attached to the charges says that Churchill also paid "other AAFES employees including Mr. Price's supervisor, Edward S. Smith." Yet neither Price nor Smith has been indicted to date by the task force.

AAFES employees claim this leaves the individuals in a sort of "legal limbo," named as wrongdoers but without any chance to clear their names in court.

It also leaves AAFES management with a problem. The task force won't give AAFES the evidence they have against Price and Smith because it's protected by the judicial umbrella of an ongoing grand jury proceeding. Without evidence of wrongdoing sufficient to take administrative action against these individuals, AAFES management so far has reacted by transferring them to "nonsensitive" positions outside the area of buying. Smith has been on extended sick leave since being named, and was expected to retire from AAFES on April 12.

Sources close to the task force indicated to MILITARY MARKET, however, that naming an employee without actually indicting him may be a tactic designed to gain the employee's cooperation in the investigation. The employee may be charged at a later date or may "plea bargain" for a lesser sentence or for immunity from prosecution.

Several employees named have been cooperating with the task force, sources say.

"No Other Way"

What has emerged from the 25 guilty pleas and convictions achieved so far is a pattern of vendors — manufacturers or milreps — literally buying business with AAFES through cash bribes, samples of merchandise, lunches or dinners.

"There was no other way we could do business with the exchange service," said Robert Peffers, a former AAFES employee and an official of two milrep companies, during the trial of one AAFES buyer. Peffers himself pled guilty to tax charges in connection with sales to AAFES and his firms have pled guilty to defrauding the government.

"It came with the desk," Enrico Sambuccini, a former AAFES

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buyer told GAO investigators regarding his involvement with cash payments. Sambuccini, who was fired by AAFES in 1979 for accepting illegal gifts from one milrep firm, pleaded guilty in May 1980 to accepting cash from two other milreps. He now is serving a 3½-year prison sentence and has paid a $2500 fine, despite cooperating with the task force.

Testimony in other cases describes basically three types of wrongdoing: single payments, such as those received by dress buyers Erb and Stiver; continuing payments (usually as part of a sales agent's commission), such as those received by Sambuccini; and a fairly large number of AAFES employees receiving gifts, samples, lunches or dinners, usually without any specific "favor" being done in return.

This latter category of wrongdoing, which violates AAFES standards of conduct but which is not actually a crime, is not considered "wrong" in most of the civilian retailing world. Individuals contacted by MILITARY MARKET who are knowledgeable about buying for civilian stores said that, while specific rules differ from firm to firm, accepting lunches and dinners is common among buyers in civilian retailing. Some even are allowed to accept gifts and samples, occasionally up to a certain dollar limit.

However, the first two categories of wrongdoing could bring huge rewards to the buyer. Alamo Region Deputy Chief Walt Shepherd said in his guilty plea that he accepted $48,000 in 1977 alone, to go with his $40,000 regular salary.

"One buyer with reported income of $25,000 a year was found to be spending $150,000 a year," according to Rep. Daniel, chairman of a House Armed Services Committee subcommittee — the Non-Appropriated Funds panel — that is charged with overseeing the exchange systems.

The rewards for a sales agent or a manufacturer also could be great. "One seller's commission rose eighteen-fold, from $9000 to $160,000 a year, after he began paying bribes," Daniel has said.

Investigators also cited instances in which companies recorded major increases in business — sometimes 1000 percent in one year — after money was paid.

"Southern Mafia" Theory

One suggestion that investigators are pursuing is that much of the wrongdoing has resulted from long-term AAFES employees dealing with vendors and milreps who are old friends. And they think they see one organized group, sometimes called the "Southern Mafia," at work in AAFES.

The theory holds that some employees and even a few top officials at AAFES' largest region — the Southeast Exchange Region (SEER), headquartered in Montgomery, Alabama — were involved in wrongdoing, first at local, then at regional levels, and they brought their connections with them when they were promoted to Dallas headquarters.

A number of AAFES employees who have been indicted did work in SEER at some point in their careers, and it is a fact that, since the region was created in 1970, its chiefs have gone on to top positions in AAFES.

Ed Smith, for instance, was SEER's first chief before becoming the Assistant to the Commander. Smith's successor at SEER, Kenneth L. Thompson, went on to direct AAFES' plans and management branch. Sheldon S. Blitzblau, Thompson's successor, currently serves as head of AAFES' merchandising division, and the current SEER chief, James Beachler, will take over as merchandising head when Blitzblau retires next month.

Only one of these former SEER chiefs — Smith — has been implicated in wrongdoing in any way, however.

But the task force continues to pursue the SEER lead. Two of the three people ordered this winter by the courts to testify before the grand jury are former SEER officials, Ron Sturdivan, chief of AAFES' sales management branch, and M. Wayne Woolard, chief of consumables. Both were compelled to testify, despite invoking Fifth Amendment claims, because the judge found that the task force wanted to question them about SEER activities that took place so long ago that the statute of limitations had expired.

The fact that both the current investigation and an earlier one in Europe *(EDITOR'S NOTE: See page 54)* started from chance tips and were not discovered by AAFES audit procedures or controls on buyers, has raised doubts about AAFES' ability to prevent fraud and corruption — or even to discover it.

The major study of fraud in the exchanges which was released by the General Accounting Office (GAO) last December severely criticized AAFES audit controls and procedures.

"AAFES has no system for informing management of the extent of bribes, kickbacks and

Where AAFES Stands

rank	chain	1979 sales (in billions)
No. 1	Sears	$17.514
No. 2	K-mart	$13.304
No. 3	Penney	$11.274
No. 4	F.W. Woolworth	$ 6.785
No. 5	Montgomery Ward	$ 5.251
No. 6	Federated Dept. Stores	$ 4.924
No. 7	AAFES	$ 3.471
No. 8	Dayton Hudson	$ 3.384

gratuities identified in its retail buying activities," the report said. (AAFES replied that it started to develop such a management information system in August 1980.)

The GAO did give credit to AAFES management for several recent steps to combat fraud and waste, such as:

- Establishing a program to assess vulnerability to fraud and waste;
- Strengthening the internal audit function;
- Establishing a fraud, waste and abuse telephone hotline; and
- Instituting a registration system to increase visibility of sales representatives.

But the GAO auditors suggested management should do more, such as:

- Establishing a results oriented buying capability with detailed buy plans and buyer performance evaluations. The idea is that a buyer should be rated on how the things that he buys sell in the stores. AAFES has no regular system to determine this.
- Clarifying criteria and identifying opportunities for increasing competitive procurement — meaning more solicitations for bids on a specified item, rather than buyers negotiating with all comers.
- Enhancing buyer performance by providing career paths and training programs.
- Requiring periodic audits of contracts for pricing compliance. Some companies were not giving AAFES their lowest price, which is required by law. AAFES since has set up a system to monitor this.

More importantly, the GAO auditors criticized AAFES management for laxness in enforcing the exchange service's code of ethics — known as the "Standards of Conduct" — and other AAFES rules and procedures. The AAFES Board of Directors also came in for criticism for lack of "leadership and direction."

"Permissive Attitude Toward Violators"

Without naming any names, the GAO cited numerous instances in which "the failure of AAFES management to insure strict and uniform enforcement has contributed to a perceived permissive attitude toward violations of those standards among AAFES employees."

The report cited these specifics:

- Of five individuals investigated by the OSI in 1979 and found to have received gifts from businessmen, only three were punished in any way.
- AAFES in 1975 prohibited buyers from making direct purchases from vendors or milreps. Yet AAFES' own records showed that as late as October 1977, employees were violating this rule. Two employees "counseled" by management for making purchases from vendors later were indicted by federal investigators.
- Of 185 changes made between January 1 and March 31, 1980 by employees to AAFES' Vendor Master File — the list of companies authorized to receive payment from AAFES — 175 were made without the proper supervisory approval, and 51 additions to the important list were not authorized.

AAFES employees have also criticized the agency's management. In a letter sent to the commander last fall, they found fault in a "noticeable lack of communication between the executive office and the staff at headquarters."

The GAO's Tom Eickmeyer told MILITARY MARKET that AAFES management could have taken several other steps to "clean up its own house." Eickmeyer suggested that AAFES interview former buyers who were convicted of receiving cash to see how they did it and what changes could be made to prevent it. GAO found this method useful, he said. (After receiving the suggestion from GAO, AAFES officials did debrief two former buyers.)

The government auditor also suggested that AAFES could go back and examine past contracts to see if any sudden increases in sales to a particular firm could not be explained. This method was used by both GAO auditors and task force investigators. but has not been done to any extent by AAFES officials themselves. In fact, the GAO cited a case in 1978 in which AAFES' internal auditors did discover that a firm jumped markedly in sales to a buyer whose sons worked for the firm. But the GAO said that AAFES conducted no further investigation, and merely transferred the buyer to nonbuying duties in another region.

The 'AAFES Scandal'

MILITARY MARKET also asked top AAFES officials about suggestions that they do their own version of "plea bargaining" with companies that had pled guilty or were convicted of wrongdoing in connection with the exchange system. The idea was that, using the threat of suspension or possible civil suits to collect money paid illegally to AAFES employees, AAFES could secure the cooperation of these firms in finding out if any additional AAFES employees may have been involved and other details of the kickback schemes.

AAFES Commander Army Maj. Gen. Duane Stubbs said that AAFES had explored this possibility with a few firms, but the firms had insisted that they be allowed to continue doing business with AAFES as a condition of cooperation. Stubbs refused to consider that.

Stubbs also pointed out the continuing dilemma AAFES finds itself in with regard to evidence turned up by the task force. Because of grand jury rules protecting its evidence, the task force does not regularly give AAFES management information on wrongdoing by AAFES employees, even if they are indicted or "named" in other court documents.

AAFES can obtain this evidence only through a court order, and then only after all judicial proceedings in the case have been completed.

Transfers, Not Firings

This is why AAFES management has transferred some employees named in court documents rather than fired them: AAFES itself may have no evidence against the individual, other than the fact that he was "named" in a court document.

The fact that relations between the task force and AAFES man-

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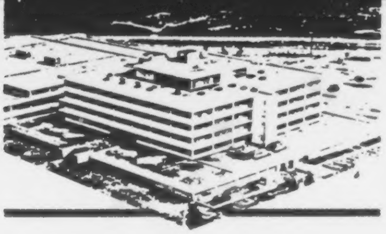

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agement have become strained as the probe has dragged on makes the situation worse. Assistant U.S. Attorney Anne Srebro recently requested the Air Force Inspector General, Lt. Gen. Howard Leaf, to help improve communications between AAFES and the task force.

This is particularly important in light of the indications in task force files that something like 100 more AAFES employees may have committed minor violations of AAFES standards of conduct. The task force never has prosecuted anyone for such violations, relying on AAFES to do it administratively. But the task force has turned over to AAFES evidence on only a couple of employees, so little action has been taken.

A recent announcement that IG Leaf may propose a joint Army-Air Force task force to ferret out just such evidence for AAFES management may solve this particular problem, however.

Another problem involving alleged violations of AAFES standards of conduct is that, while a vendor or milrep may claim to the task force or in court that he gave gifts or dinners to a certain AAFES employee, no evidence may exist to back up the assertion. Several AAFES employees told MILITARY MARKET that they fear their names are in the task force files because of what they claim are unfounded assertions of gifts by vendors or milreps.

Even Stubbs' predecessor as Commander of AAFES, retired Air Force Maj. Gen. Bobby W. Presley, said he wouldn't be surprised if his name is among those in the task force files.

"A couple of years ago I attended a meeting in New York with 40 or more milreps, and I'll bet some of them put my name down on their expense accounts," Presley said. If the task force saw those expense account records, Presley's name probably would have gone into the files, he said, even though it was a large meeting and he took nothing from any milrep.

In only one case so far has AAFES asked for and received all the grand jury evidence behind a conviction. That involved Harrell Sales International, a now-defunct milrep firm that pled guilty in August 1979 to income tax charges and was fined $10,000.

After receiving all the records in the case, AAFES management suspended 24 current and former employees of that and related companies. AAFES also released a document listing the offenses each milrep allegedly admitted. Most said they had entertained or given gifts to AAFES employees. One administrative assistant said she'd processed falsified expense vouchers involving merchandise for AAFES personnel. Several executives said they'd coached employees on the system of giving gifts to AAFES employees and filing false expense accounts to cover them up.

The grand jury evidence received by AAFES also contained the names of 44 AAFES employees said to have received gifts or entertainment. The OSI subsequently investigated these people, calling them in to explain the allegations and checking out the explanations. But the OSI could find evidence to support charges against only eight of the 44, and AAFES management eventually fired three, gave written reprimands to four and orally counseled one person, whose violation was receiving fruit and flowers while in the hospital.

AAFES Pursues Its Own

Since AAFES management cannot depend on regularly receiving evidence from the task force on employees involved in wrongdoing, it has taken a number of steps in the past few months to catch more violations on its own.

The agency has, for example, conducted lie detector tests of employees, expanded the number of employees who face regular OSI field checks, and expanded the number who must file regular personal financial statements. The exchange giant also is formulating a "decision logic table" to tell employees and managers alike what the punishment will be for each violation of AAFES' standards of conduct.

The Board of Directors also has taken steps recently to increase its oversight of AAFES, including the addition of an auditor to advise the board.

The Joint Chiefs of Staff, who were called to Capitol Hill in December and told to clean up the exchanges or lose them, have replied with a program to combat fraud and corruption in the exchanges. The JCS started a review of rules pertaining to debarment and suspension of firms guilty of wrongdoing, established a DoD clearinghouse for fraud information, and directed the AAFES Board of Directors to pay special attention to the role of milreps in AAFES.

AAFES management recently sent letters to thousands of manufacturers, reminding them that they do not need milreps to do business with AAFES.

The whole situation may have been summed up best by AAFES' Deputy Commander, Air Force Brig. Gen. Norris Overton, scheduled to retire May 1. Overton formerly was the Air Force's Pacific Comptroller, and therefore very familiar with audit procedures.

Overton told MILITARY MARKET that he has been "very favorably impressed with AAFES audit controls." He said they are "light years ahead of other nonappropriated fund activities."

But, he added, "Regardless of what we do in the future, there is no way to prevent the collusion that took place in the past. You cannot prevent a buyer from receiving a telephone call at his home and agreeing to buy merchandise from a particular company for a kickback, to be paid in cash at the Ramada Inn on some prearranged date.

"Your internal audit system won't catch that," he said.

But Overton indicated that there were still ways in which wrongdoers could be caught. "We'll have to look at these profiles to see if that buyer changes his pattern, changes his buying habits, or changes some aspect of the merchandise flowing in . . . to see if something unusual occurs that would cause us to take a close look at the individual."

And there's one person, at least, who seems to see some light at the end of the tunnel. Said Overton, "I really feel that, as a result of the audits that we've had, the task force, and the other investigations, that the wrongdoing of the past has been pretty well surfaced." MM

The Task Force

Those who are doing the investigating are scarcely less controversial than those who are being investigated.

OF ALL THE ELEMENTS IN the charged atmosphere currently surrounding AAFES, one of the most controversial has been the special Justice Department task force which has been investigating AAFES operations at the Dallas headquarters.

The unit has produced considerable debate regarding its methods and motives, along with a number of successful legal actions against exchange service officials and military reps. Opinions pro and con are fairly well mixed.

Following a 1975 tip from a Dallas contractor who was irate at being frozen out of AAFES' construction projects, the Justice Department assigned a group of investigators to the area. The investigators were told to look into what emerged as a pattern of bribes and kickbacks among exchange buyers and supervisors.

The unit eventually grew to include agents from Justice's public integrity section, the FBI, IRS, the Air Force Office of Special Investigations, and a federal grand jury.

Once staffed and organized, the task force's first investigations began in late 1976. A special grand jury was empaneled in October 1979 to handle the increasing amount of conspiracy and fraud evidence that the unit was gathering. Currently, the task force is under the direction of Dallas Assistant U.S. Attorney Anne Srebro.

Some sources close to the investigation describe its operation as thorough and precise. Working out of offices in the Federal Building in downtown Dallas, task force agents are said to follow every possible lead that turns up in their inquiries.

If a military rep has pleaded guilty to paying money under the table to AAFES personnel, for instance, the task force will conduct an audit of the AAFES section where the increased business is said to have occurred.

If an unusual sales increase has indeed taken place, agents will begin looking into the affairs of the individual AAFES buyers responsible for the increase. Visible wealth, tax returns and other details are investigated and interviews held with the buyers.

As information develops in this detailed process, sources have told MILITARY MARKET it is collected in a file folder set up for each suspect, cross-referenced with the names of others said to be involved and the names of companies alleged to have paid the bribes.

These files are reviewed periodically by officials with the U.S. Attorney's office. When Srebro and other task force leaders determine that enough evidence and testimony has been collected on an individual, his folder is moved into an adjacent room. There it is stored in its own file cabinet with the subsequent information that is developed as the case is prepared for presentation to the grand jury.

Winning High Marks

By investigative standards, the Dallas task force has won some high marks from other federal agencies involved in government detective work. Thomas Eickmeyer, head of the GAO's team that has studied AAFES operations for the past two years, told MILITARY

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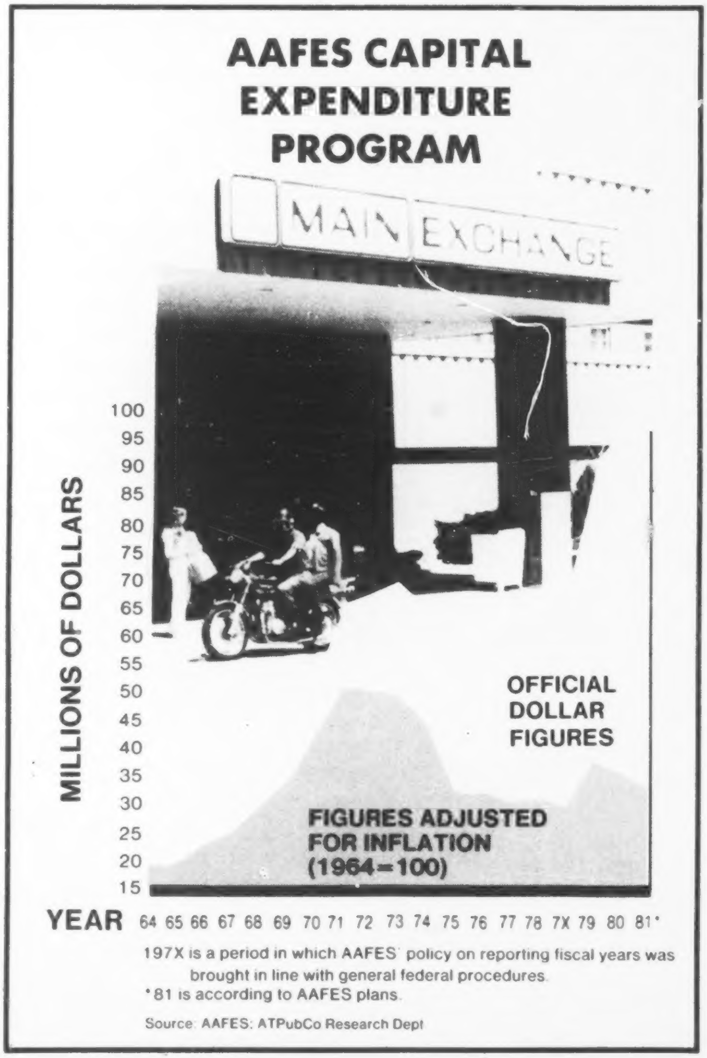

AAFES CAPITAL EXPENDITURE PROGRAM

197X is a period in which AAFES' policy on reporting fiscal years was brought in line with general federal procedures.
*81 is according to AAFES plans.

Source: AAFES; ATPubCo Research Dept

The Task Force

(Continued From Page 47)

MARKET, "Anne's good. Her conviction record proves it. They do a thorough job down there and they're careful to press only the cases they're sure they can win."

Eight employees at AAFES' Dallas headquarters have been indicted so far as a result of the task force's work. Of these, seven have pled guilty and one was convicted. In San Antonio, four employees of the Alamo Region office have been indicted by a second Justice Department unit, three of whom pled guilty; the trial of a fourth resulted in a hung jury. Altogether, a total of 12 exchange service officials have had legal action taken against them.

However, the Dallas task force is believed to have upwards of 100 more names in its file of AAFES employees who may have violated some sort of regulation or law.

Guilty pleas and convictions also have been obtained against seven military sales reps and vendors involved in paying bribes to AAFES personnel in return for sales contracts. On the strength of the task force's findings, at least seven and possibly as many as 13 military rep firms have been barred from doing business with AAFES.

But while federal investigators from GAO have praised the task force, both AAFES employees and resale trade associations have been highly critical of the manner in which the task force has conducted its investigation. They charge the unit — and Srebro in particular — with unfair, questionable and (in some cases) illegal actions against them. Repeated leaks to the press, they add, prove that the assistant U.S. Attorney is "an irresponsible publicity seeker," trying to build a name for herself at the resale system's expense.

Specific charges aimed at the task force by AAFES employees include wire tapping, mail tampering and coercion, all of which Srebro vigorously denies.

One of the strongest concerns voiced by AAFES personnel has been about Srebro's policy of allowing vendors who have admitted paying bribes to plea bargain in return for their cooperation and testimony, while AAFES employees accused of taking bribes must face the full force of the law.

In the indictments and trials so far, only two businessmen have been sent to jail, both in connection with bid-rigging in the construction contract business. Meanwhile, eight AAFES employees have faced or now are facing prison terms for their role in bribery schemes.

"Naming" Names

Another criticism made against Srebro is for her use of special court documents — known as "factual resumes" — in grand jury proceedings. The documents are filed along with individual indictments. Although they name names and assert that bribes have been taken, the factual resumes are not indictments, nor do they have the force of law. The individual so "named" is not officially charged with anything, and thus has no trial set to determine guilt or clear his name.

To date, two of the exchange service's highest-ranking civilians have been named in factual resumes accompanying indictments against other AAFES employees or milrep firms, leaving them in a sort of legal limbo. These men are Ed Smith, assistant to the AAFES commander and the agency's top civilian, and Norry B. Hersey, former director of the Plans and Management Division. (Three others — Rex Price, a supervisory merchandising specialist in toys; Raymond Powlowicz, a supervisory merchandising specialist in softlines; and Charles Saul, a merchandising specialist in apparel — have been implicated by being named in other types of documents.)

Federal authorities who were questioned about the factual resume practice note that, while not unusual, factual resumes are used to different extents by different judicial districts. They are used to supply information which supplements data contained in the indictments, a former U.S. Attorney told MILITARY MARKET. In some districts the information is included in the indictment itself, he said, while elsewhere authorities prefer to limit the indictment to a few pertinent facts, backed up with a factual resume outlining allegedly similar or related incidents.

Early this year Ed Smith's attorneys went to court trying to have his name purged from the record and permanently sealed. Smith's name had been maligned by the resume and his reputation damaged, his lawyers argued, without the opportunity provided by an actual indictment to defend himself in court.

U.S. District Court Judge Sara Hughes denied the request, however, saying the action came too late.

Others mentioned in the investigation as having knowledge of bribes or other irregularities have been subpoenaed and compelled to testify before the grand jury. M. Wayne Woolard, AAFES' chief of consumables, and Ron Sturdivan, chief of the exchange service's sales management branch, both have been called before the grand jury in such a manner, along with Donald Carone, a former AAFES buyer acquitted of charges during an earlier AAFES investigation. *(EDITOR'S NOTE: See page 54)*

On "A Vendetta"

An AAFES region chief commented that these and other moves on the part of the assistant U.S. attorney in Dallas demonstrate that Srebro is on "a vendetta against the whole exchange system."

"The problems with AAFES are isolated with 11 or 12 people who have already been implicated," he said. "If they put an end to the investigation and let us get on with our business, our problems will be behind us."

Jim Juliana, executive vice president of the Armed Force Marketing Council, a milrep trade group, and a former FBI agent himself, stresses the need to end the work of the Dallas task force.

Srebro, on the other hand, is just as resolute that the task force still has much work ahead of it. Sources with the Justice Department and other agencies involved indicate the AAFES cases still receive high priority and their continuation — for the time being, at least — is assured.

"Absolutely," Srebro tells everyone who asks. "This is a continuing investigation." (MM)

The Buyers

Centralization of buying activities has brought some advantages to AAFES, but may have created as many problems as it solves.

THE HEART OF ANY retailing organization is its merchandising section, and AAFES is no exception. It is the merchandising specialists — informally called buyers — who purchase the products sold in AAFES exchanges. Functioning much the same way as their civilian retail counterparts, AAFES procurement personnel must operate under merchandising and ethical restraints peculiar to the government. Private sector retailers agree this marks them as a breed apart.

Nowhere is the great growth and consolidation that AAFES has experienced more evident than in its merchandising division. Twenty or so years ago, buying for the exchanges was conducted on an irregular, store-by-store basis. What appeared on the shelves at Maxwell AFB was not necessarily to be found at Fort Bragg.

But in the late 1960s and early '70s, AAFES began consolidating its procurement activities on a regional basis, providing more uniformity and control of goods purchased for resale in local exchanges. And today the organization is accelerating the process by moving toward completely centralized buying for all exchanges, done by the approximately 300-member Dallas merchandising staff.

The move to centralize AAFES procurement has both its critics and its supporters. The fact that a special Justice Department criminal task force is conducting an extensive investigation into allegations of AAFES buyers taking bribes and kickbacks has added fuel to the fire.

The agency's officials see several advantages to centralized procurement and are moving ahead with further consolidation plans, despite the bad publicity created by the investigation.

First, by concentrating procurement in one place, officials say, a standard can be set for procedures and controls, with greater efficiency as a result.

Noted one Dallas buyer, "It's just common sense that with centralization, the procurement function is infinitely easier to control, supervise and review than if it were spread throughout the United States among literally hundreds and hundreds of people with diversities of opinion and certainly diversities of professional knowledge."

Another advantage cited by AAFES officials is savings. With a buyer in Dallas purchasing for all the exchanges in the world, he can negotiate with the salesman for a better price, based on the tremendous sales volume of the agency, officials say.

However, one theory held by investigators probing corruption in AAFES buying is that small-scale wrongdoing at local levels years ago has grown into large-scale fraud at Dallas headquarters as the local buyers have been promoted and consolidation has given them responsibility over huge purchases.

There are currently about 115 buyers assigned to the Dallas procurement staff, officials say, each with an area of specialization in which he or she is presumed to be an expert before being given purchasing power. In theory this means that, as buyers become more professional in their areas of expertise, they can rely more on their own judgement than on the sales pitch of vendors or sales representatives.

But among the findings of a year-long General Accounting Office (GAO) study sparked by the Justice Department investigation and released December 31, was that this has not necessarily been the case. Transfers of buyers to and from field offices and a lack of adequate personnel slots at Dallas headquarters have interfered with the process, GAO auditors wrote.

Managers at the end of the AAFES merchandise pipeline — the local exchange — also complained in interviews about the frequency with which some buyers are transferred. One told MILITARY MARKET that, if a bad purchase had been made in Dallas, by the time the goods reached her in Alabama, the buyer could have been sent to AAFES' headquarters in Europe, unreprimanded.

Lack Of Buyer Responsibility

Indeed, lack of buyer responsibility is a complaint commonly voiced both within and outside of AAFES. Currently, there is no management or buyer information system in place that would allow the exchange service to evaluate its procurement staff, short of gross departmental sales totals. GAO's recent report strongly urged AAFES to adopt such procedures, as have several key exchange executives — now retired — who spent their careers with the organization.

Kenneth L. Thompson, former chief of AAFES' plans and management branch and currently the president of the agency's retiree organization, told MILITARY MARKET, "Absolutely nothing would help AAFES get its house in order like a system to get a handle on procurement performance."

Buyers with private sector retailers contacted for this article were surprised that no such program now exists at the exchange service. A merchandising specialist with a large department store chain said buyers with his organization are judged chiefly on their performance — how well their choices sell — not on getting the best deal for the company.

"What's the point if the stuff doesn't sell?" he asked.

Toward developing such a management system, AAFES current-

(Continued On Page 50)

The Buyers

(Continued From Page 49)

ly is testing an electronic point-of-sale computer network in 32 of its facilities around the country. Similar to those found in many grocery stores, the system makes use of electronic codes marked on each item in the store, recording its purchase with photosensitive wands or checkout grids. This information then is totaled at the end of each day to keep track of sales — a method which is accurate enough not only to differentiate between product lines but also between brand names, sizes and flavors.

AAFES officials said they hope to expand the system nationwide, but initial results still must be studied and ultimate plans for the program are uncertain.

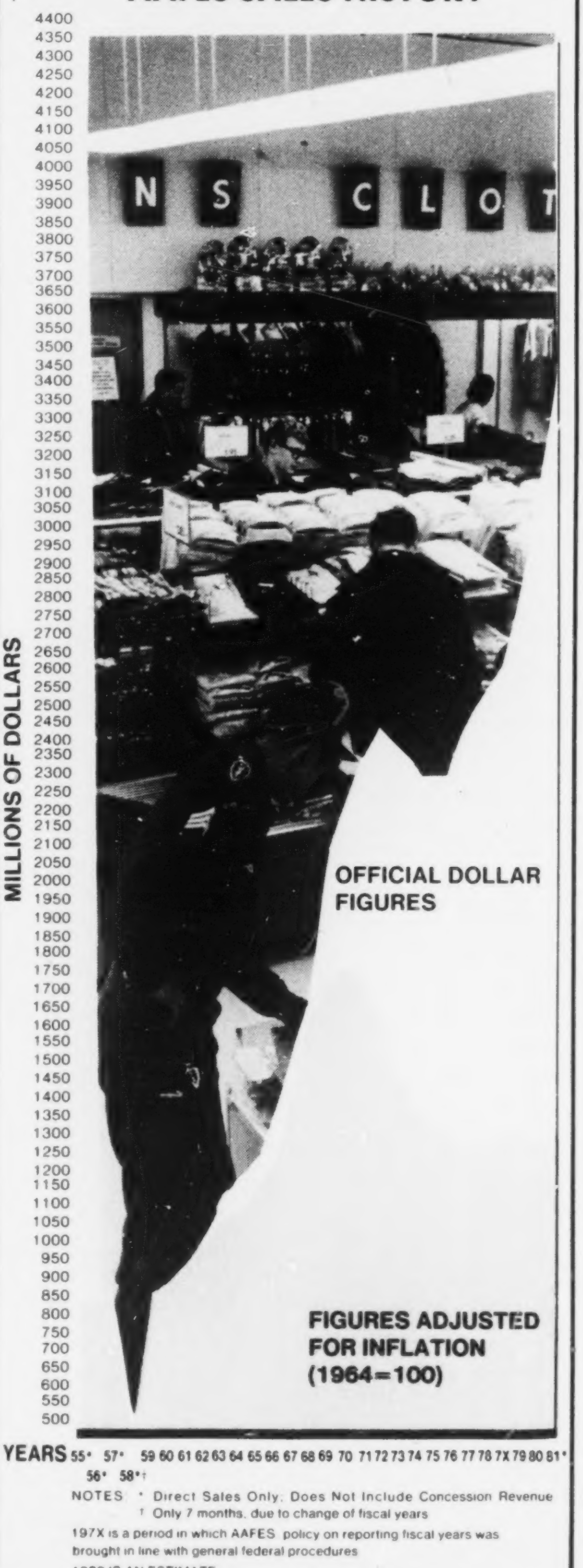
Along with centralized buying, the exchange service has developed its own centralized merchandise distribution system operating out of Fort Gillem, Ga., and Oakland, Calif. Distribution of clothing is entirely centralized in a new Fashion Distribution Activity co-located at the Dallas headquarters.

Under the system, a manufacturer ships his goods when ordered by AAFES to one of the three locations rather than to individual exchanges. From that point on, the exchange service takes control of the merchandise, shipping it with its own fleet of trucks wherever it is needed.

Besides reducing costs by performing its own delivery, AAFES officials contend that centralized warehousing and distribution is a much more effective and efficient way of serving the military customer.

When a store is about to run out of a particular item on "open order" — delivered by the manufacturer — the local manager must himself reorder and wait from two to six weeks for the product to be delivered. This can mean empty shelves, loss of sales and

AAFES SALES HISTORY



NOTES * Direct Sales Only; Does Not Include Concession Revenue
† Only 7 months, due to change of fiscal years

197X is a period in which AAFES policy on reporting fiscal years was brought in line with general federal procedures

1980 IS AN ESTIMATE
1981 IS THE PLAN FIGURE

Source: AAFES, ATPubCo Research Dept

irate customers. When the same item is distributed by AAFES and is warehoused at one of its distribution facilities, the exchange automatically receives a new shipment at least once a week.

Worldwide Procurement Audit

While more and more procurement functions are being consolidated at headquarters, some buying still is done at the five regional offices for such items as foodstuffs and other goods most efficiently purchased locally.

Regional procurement, however, is coming under increasing scrutiny from Dallas. A worldwide procurement audit currently being conducted by the exchange service — the first in more than 15 years and sparked in part by the Justice Department investigation — will recommend greater control of regional buying procedures, eliminating the procurement of some as-yet unannounced goods at the local level entirely.

AAFES' consolidation of buying and distribution functions has not gone unopposed, particularly by the military sales companies which are so much a part of the resale business. These companies act as middlemen between manufacturers and AAFES, and many milrep companies are substantial operations, grossing millions of dollars in sales per year and employing hundreds of people, financial reports indicate. Others may be responsible for several million dollars in sales to AAFES with a staff of only five or six people.

In theory, milrep firms offer manufacturers expertise in dealing with the exchange system. AAFES buying formerly was done in scattered locations throughout the country, often at individual exchanges. Buying procedures differed from those in the private sector as well. Familiar with this world, and able to "speak the military language," the milrep aided both buyer and seller well as benefitting himself with a healthy 1½ to 15 percent commission, according to one industry spokesman.

This complex purchasing system still exists in the other exchange services. However, as AAFES continues to consolidate its operations, it has shown an increasing desire to eliminate the middleman by dealing directly with the manufacturer. Although often diversified into commissary and other military resale activities, many familiar with AAFES feel the milrep firms essentially could be put out of business — as far as AAFES is concerned — if the consolidation continues.

Though the manufacturer's decision to use a milrep rather than in-house salesmen is basically his own, it is a politically loaded issue. The resale industry is represented in Washington by two very active lobbying groups — the American Logistics Association and the Armed Forces Marketing Council — which can marshal the industry's financial resources to exert pressure on Congress in its oversight of AAFES. For instance, a recent AFMC paper compiled by the Council's executive vice president, James Juliana, reminded legislators of its presence with a breakdown of how many people its members employ and in which congressional districts they work and pay taxes.

AAFES Commander Stubbs recently wrote to 9700 manufacturers doing business with the exchange service, telling them that milreps were not needed to deal with AAFES. He pointed out that their commissions were a cost to the manufacturer and AAFES — and ultimately the customer — and asked that their "economic justification" be re-examined to determine if an in-house sales force might be cheaper.

On the military sales firms' behalf, AAFES executives and management officials admit that in the past, at least, they have offered a good deal of training and expertise for AAFES sales people in specialized merchandise such as cameras and sporting goods. Occasionally, they add, milreps perform in-store services such as shelf-stocking, re-ordering and display for merchandise such as cosmetics and greeting cards. Overall, however, the feeling among many AAFES procurement people is that military sales firms are going the way of the dinosaur.

"I'm not convinced they are as viable now as they were before we went to centralized distribution," a regional procurement manager told MILITARY MARKET. "I'm going to give you my honest, personal opinion, now — the best service these guys provide is meeting the manufacturer's man at the airport, carrying his bags and taking him out to dinner. If we put our mind to it and dedicate the manpower, we can do everything they do ourselves."

The Buyers

Many with the exchange service also feel that milreps are at the root of the bribery and kickback problem AAFES is faced with in the Justice Department investigation of the Dallas procurement staff. Seven of the eight firms convicted in connection with AAFES buying problems have been milrep firms.

"It Takes Two To Tango"

Beyond immediate cash transactions for lucrative contracts with the exchanges, wider implications have been raised of ethics violations by many people in the merchandising branch.

"Sure, it takes two to tango," one official said, "but it takes one to start it and I believe the ones who started it were the milreps."

"Personally, I think it's more a case of someone offering a bribe, rather than a buyer saying, 'I want,'" another said.

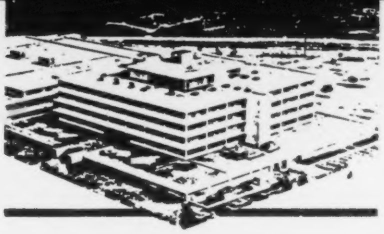
Some exchange employees maintain that the standards of conduct rules are needlessly strict, arguing that accepting things such as meals is conducive to business. Others disagree.

"I feel that once you say certain things are acceptable, it's hard to draw the line between what other things are or aren't," one buyer told MILITARY MARKET. "This way you don't have to draw a line. It's already there."

It also makes good business sense, another said. "Once you lose your independence, you lose a powerful weapon in the procurement process."

While most AAFES officials said they were shocked at the findings and convictions coming out of the investigation into AAFES procurement, one buyer who had worked for Sears for 15 years before joining the exchange service had a different outlook:

(Continued On Page 52)



The Buyers

(Continued From Page 51)

"People are people, and whether they work for AAFES or Congress or Sears, Ward's or anywhere else, there's a certain percentage that are going to be doing things, whether illegal, immoral, whatever," he said. "There's a certain percentage of people that are going to be involved. I don't care what the company is."

"The only thing that aggravates me," he continued, "is when I hear someone in Congress say, 'Let's disband AAFES, let's get rid of it.' They didn't say that when Congress was being investigated. Let's disband Congress, if that's the point."

Products get on an exchange shelf much the same way they get on the shelves of commercial establishments — through the use of market research and sales statistics. AAFES buyers also attend numerous trade shows to keep up with industry and consumer trends. Customer demand is a must.

"Without customer demand, we don't need the product," one buyer said, adding that the exchange service generally goes for recognizable and quality name brands.

"The merchandise that the customer sees on the shelf should be recognized by him as being a certain quality," he added. "If it's a name he doesn't recognize, then he expects to pay less and he doesn't know if the quality will be as good."

Although most buying is done at AAFES headquarters, individual exchanges are not ignored in the selection process. Each store has what is known as a store profile — an analysis detailing its customer mix by rank, age, general sizes, number of dependents, income levels and similar characteristics that tell a store manager who his customers are. Using the profile, he can order the kinds of merchandise he thinks his customers want.

Once the stores give their input to Dallas — via the region offices — the buying staff goes into action.

There are three main ways merchandise is selected for sale through AAFES — by an individual buyer acting on his own expertise in his specialized area; by a selection committee, which uses its collective knowledge to perform the same choosing process; or by open bidding on set specifications.

Selection committees are made up of at least one representative from each of AAFES' five Stateside regions and two overseas commands, plus varying numbers of people from the Dallas headquarters. The Dallas members of a selection committee usually include the buyer in whose specialty area the product falls, quality control experts, other experts on the product specialty area, and possibly the buyer's supervisor.

The manufacturer's salesman or a milrep meets with either the individual buyer or the selection committee to show his wares and discuss possible prices and terms.

Both the buyer and the committee check marketing reports to see how the product stands in the civilian market, how well it sells and what, if any, quality problems have been reported.

If the product is similar to one already being sold in AAFES, and if the amount budgeted for buying that kind of product will cover only one, then the proposed product normally must surpass the current one being carried in either quality, lower pricing or terms offered and be comparable in the other areas in order to win a spot in the AAFES stock assortment, one buyer told MILITARY MARKET.

But popularity is a strong factor in the selection process, another buyer said.

"If it's Number One in the country, we should stock it," he said. "If it's Number 50, then maybe we don't need it.

Buyers Not "On Their Own"

Once selection is made, either by the buyer or the committee, negotiations for the deal are made. Generally this is handled by the individual buyer.

Most selection of goods sold through AAFES is done by the individual buyers. But they are not entirely on their own. Definite procedures must be followed before a certain product is accepted into the stock assortment, outlined in the procurement staff's "Bible" — Exchange Service Manual 65-1. Purchasing plans also must be approved for the individual merchandising specialist by his supervisor. Buys involving more than $25,000 require even higher authority.

Price is fairly negotiable — which is both good for the customer (in terms of low prices) and a source of problems (in that a bribe may slip into the negotiations).

By law the exchange service must be offered the lowest available price by the manufacturer. No private retailer may be given a lower figure.

But investigators told MILITARY MARKET that if a buyer is faced with deciding between two nationally-known brands of shirts, for instance, the choice may come down to price or payment terms. Often both brands are top quality, both will sell well and both offer a full range of sizes, colors and styles, the investigators explained. So when one salesman offers to split his commission with the buyer, some buyers have accepted. The buyer figures the customer hasn't suffered (he still gets the top quality shirt) and the salesman figures he'd rather have half the commission than have the sale go to the other company.

Use of selection committees has been growing, AAFES officials said, partly as an effort to avoid possible attempts to bribe or otherwise influence an individual buyer, partly to dilute any strictly personal preferences from determining the selection and partly to gain the wider perspective a committee offers.

But putting together a selection committee is a relatively expensive process in that representatives are paid per diem for their time away from their home stations. From January to September 1980, AAFES convened 40 selection committees. Though committee costs were not routinely maintained, the GAO found that for three committees, involving nine to 12 members and lasting two to nine days, costs ranged from $5000 to $25,000.

To keep those costs down and the meetings shorter, some preselection of the better proposals from the hundreds of salesmen who appear at AAFES' doorstep is done before the committee meets.

But even the selection committee method is not safe from abuse, the GAO said. Vote counting procedures are unclear, inconsistently applied, subject to manipulation and occasionally ignored altogether. "We found five different methods of recording and tallying selection committee votes in the five committees we reviewed," the GAO said.

The watchdog agency has suggested that AAFES do more buying by open bidding based on specifications as a way to stop fraud. In the bidding process, AAFES asks for bids on a contract to provide so many shirts, for instance, of a certain quality at a certain price. The lowest bidder gets the business.

But AAFES officials emphasize that customers look for name brands, current styles and a variety of choices. They insist that open bidding would work for only a few types of goods. They are planning to increase purchases made by the open bidding system to some extent, however.

Markups on the merchandise — where every store covers its own expenses and tries to make a "profit" — varies according to the type of merchandise, with rates established by AAFES headquarters in a retail markup booklet. But the same item is supposed to cost the same in every AAFES store.

"We may offer a camera, a 35mm camera, at a much lower price than what you'll pay on the outside," said one AAFES official, "but that camera bag or that photo album will be pretty close to the commercial price." AAFES makes more "profit" on the camera accessories, he said.

Service to the customer is AAFES' first mission, exchange officials proudly claim, but they admit as well that it is a difficult task. "We have a different kind of pressure from civilian firms such as Sears or someone else," one buyer who formerly worked for a civilian firm told MILITARY MARKET.

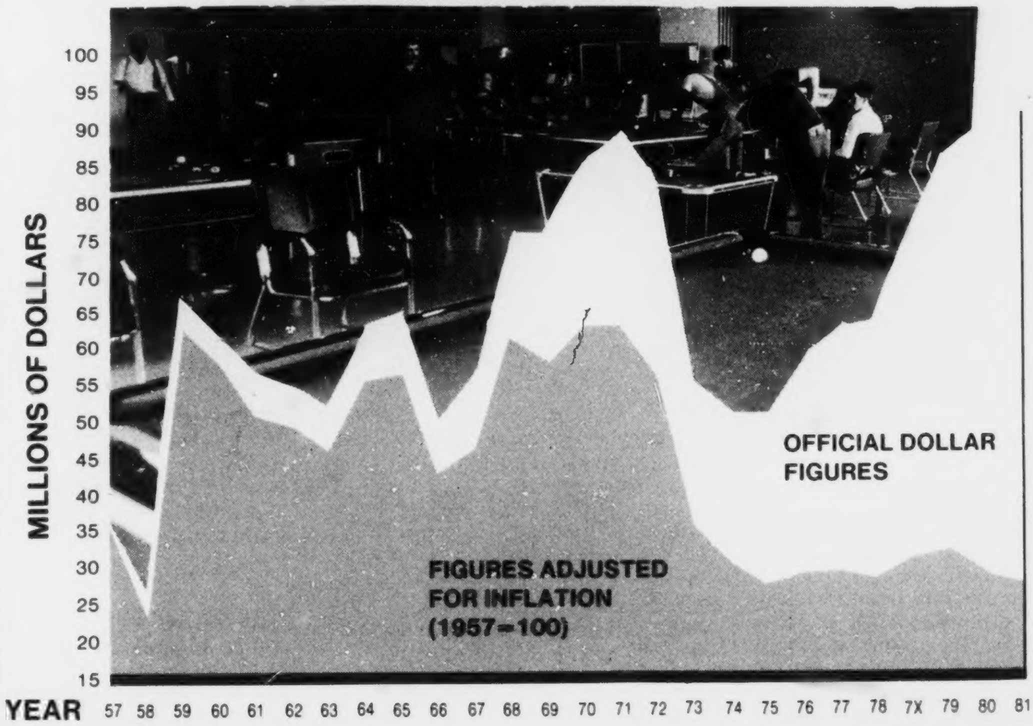
"There the pressure was sales and profits, sales and profits," he said.

The Buyers

"Our pressure is from ferreting out what the customer wants and supplying it as best we can. We kind of work backward in that respect."

"The exchange tries to be everything to everybody and it's difficult. You really can't do it," another concluded. "You have to be a retail business and go to the direction of where you get the most sales because by doing that, you're satisfying the most customers. It's as good a yardstick as you have to tell you how well you're doing." (MM)

AAFES DIVIDENDS DECLARED FOR MWR PROGRAMS



197X is a period in which AAFES' policy on reporting fiscal years was brought in line with general federal procedures.
*81 is according to AAFES plans.

Source: AAFES; ATPubCo Research Dept.

The European Connection

Problems with buyers and sellers are nothing new to the Army and Air Force Exchange Service.

INVESTIGATORS HAVE FOUND that the roots of the current scandal may go back a long time. "For almost 20 years, fraud has been a problem in AAFES procurement," the GAO said in its report issued last December. Some AAFES employees may have been receiving at least token payments for up to that long, investigators believe.

One person who has pled guilty in the current probe, milrep and former AAFES employee Robert Peffers, also was implicated in buying problems in AAFES' European operation during the 1960s.

Seven AAFES buyers were indicted in the European investigation, although Air Force Office of Special Investigation (OSI) records obtained under the Freedom of Information Act and court documents indicate as many as 40 exchange employees may have been involved.

In 1965, just as the separate Army and Air Force exchange systems in Europe were being consolidated, AAFES' European commander got a tip about local buyers receiving kickbacks. As happened with the later Dallas construction indictments *(EDITOR'S NOTE: See page 42)*, an angry vendor complained that he was being frozen out of the exchange market because of bribes paid to AAFES buyers by a milrep for other manufacturers. And as was also true in the later Dallas investigation, AAFES' internal control procedures had not revealed a problem.

The vendor, an agent for a Danish electronics firm, revealed he had been approached and had made a tentative deal with a European milrep named Fritz C. Mintz. The arrangement, involving sales of stereo equipment to AAFES through Mintz, fell through, however, leaving the Dane out about $2100 allegedly paid to AAFES employees as bribes.

Mintz headed a sales rep firm called International Sales Service (ISS), started in Frankfurt in 1961 and moved to Nuremberg in 1964. A partner, Martin Penn, kept offices in New York City, where AAFES headquarters then were located.

Basically a small operation employing no more than six persons at any one time, ISS sold enough electronic equipment, phonograph records, cameras and other goods to exchanges in Europe to gross $4 million in 1965 alone, records indicate.

"I Have Friends"

The Danish agent told AAFES officials he had been trying to sell his line to the exchanges for some time, but with no success. Then, at a trade fair in Hanover in late 1964, he was approached by Mintz, whom he never had met, and told that if he wanted to sell his equipment to AAFES, he could do it only through ISS. "I have friends," Mintz reportedly said. "I can make things happen."

Soon afterwards, the Dane said he visited AAFES' procurement office again. There, much to his surprise, he said the exchange buyer told him much the same thing. "You need an agent," the buyer reportedly said. "Go see Fritz Mintz."

Faced with such circumstances, the Dane went to ISS in Nuremberg and signed a contract with Mintz. The contract called for a seven percent sales commission on all equipment sold to AAFES, and the milrep explained the sum could be included in the cost of the merchandise, hidden in overhead with no loss to the agent of his own commission.

When goods were ordered by AAFES, the Dane said, the seven percent fee was deposited in a bank account Mintz maintained in Liechtenstein. Of the commission, Mintz said he kept a third and allegedly divided the balance between the buyer and his supervisor. Payments to AAFES employees were made in cash, records found by AAFES investigators indicate, sent by Penn through the mail from New York.

Soon after the deal was struck, the Dane went back to AAFES, where the exchange buyer suddenly agreed to purchase the line, eventually placing an initial order of $30,000.

The deal fell through, however, when the stereo manufacturer in Denmark could not fill the order and AAFES demanded its money back. Since the seven percent commission to ISS already had been paid when AAFES cancelled the contract, the Dane's salary was docked by the manufacturer. Out $2100 and angry with Mintz, the agent decided to blow the whistle. AAFES asked the Air Force OSI to look into the matter.

Mintz also was under investigation at the time by German tax authorities, records show. During the entire period ISS was doing business with AAFES, neither Mintz nor his company had paid any taxes, allegedly owing the German government more than $250,000.

Armed with a warrant, the German authorities raided Mintz' home late in 1966. The milrep had fled, however, first making his way to Switzerland, then to Spain, where he is believed to still remain a fugitive from Germany.

The Ledger Book

At Mintz' home, the Germans found several documents relating to ISS operations over the previous five years. Among the papers was a black ledger book, tracking hundreds of thousands of dollars in payments which had been made to about 40 AAFES buyers and supervisors.

Evidence regarding kickbacks was turned over to OSI and the FBI then was called in. Mintz' partner, Martin Penn, was arrested in New York, where, faced with a mountain of evidence implicating him in the scheme, sources said, he agreed to cooperate with the government to support indictments against AAFES employees involved. Mintz' bookkeeper also cooperated, helping authorities in Europe understand how the scheme operated.

Records, letters and other documents seized in the raid showed that, as in the case with the Danish stereo equipment, many lines represented by ISS paid a commission ranging from five to fifteen percent, which Mintz split with the buyers. All payments were made in cash from Penn in the New York office. Locally, Mintz also

(Continued On Page 56)

AAFES PERSONNEL STRENGTH

FISCAL YEAR		*COMPUTED EMPLOYEES (MAN-YEARS WORKED)	NUMBER OF EMPLOYEES ASSIGNED** TOTAL	REGULAR FULL-TIME	PART-TIME	MILITARY
1955		64,708				
1956		65,912				
1957		64,646				
1958		64,629				
1959		60,399				
1960		58,076				
1961		66,930				
1962		66,239				
1963		66,185				
1964		65,083				
1965		65,849				
1966		68,727				
1967		73,081				
1968		78,071				
1969		79,893				
1970		80,013				
1971		77,813	77,589	61,958	14,836	795
1972		73,743	75,960	58,021	17,436	503
1973		66,694	70,470	N/A	N/A	248
1974		59,976	65,180	N/A	N/A	139
1975		56,577	63,611	43,170	20,305	136
1976		54,843	58,511	39,337	19,038	136
1977		52,707	59,745	37,164	22,463	118
1978		50,069	59,041	35,871	23,057	113
197X		50,100	60,250	35,233	24,918	99
1979		50,606	60,942	35,549	25,305	88
1980	(E)	51,555 (Nov YTD)	61,953 (Jul 80)	35,146	26,718	89
1981	(Plan)	52,389	(Annual Financial Plan reflects computed employees only)			

* Includes HQ AAFES employees and excludes plant employees in FY 75, and subsequent years. In FY 74 and prior years includes plant employees, and excludes HQ AAFES employees in accordance with previous reporting policy.

** Data prior to FY 1971 not available.

197X is a period in which AAFES' policy on reporting fiscal years was brought in line with general federal procedures.

*81 is according to AAFES plans.

Source: AAFES

The European Connection

(Continued From Page 55)

entertained AAFES officials with private parties at a Frankfurt hotel, as well as giving them gifts and free samples of merchandise.

Buyers were listed in the ledger using special code names. The bookkeeper said Mintz always was careful to use code names, "even in their telephone conversations." She said the names were often those of some famous brand or product in the line the buyer administered.

"As examples, she cited such names as Mr. Foremost and Mr. Chopped Beef as typical of those used," the OSI reports noted.

Other code names, however, were closer to the buyers' real names and were not difficult for investigators to decipher. Martin Roemer, the first AAFES official tried in the scandal, was known as Mr. Romeo, records indicate. Although never indicted, another exchange buyer at the time linked to ISS kickbacks was referred to as Mr. Pepper. Investigators believe his real name was Robert Peffers.

Of the dozens implicated in the scheme, by Mintz' ledger and other papers, only seven AAFES employees were formally charged. The trials and subsequent civil suits dragged on for years.

Federal indictments were filed against the seven in New York in February 1970, charging each with conspiring with Mintz to defraud the government. Court records show that actual trials did not begin until late 1974.

Charges against three of the buyers — Raymond F. Carr, Dorothy L. Shea and Melville Bisqyer, all of whom were fired by AAFES in connection with the affair — eventually were dropped for lack of evidence. Two buyers — Roemer and Lamont H. Munns — were convicted, receiving fines and probation. Two others — Albert G. Furguson and Donald F. Carone — were acquitted of the charges, Carone after two trials.

The General Accounting Office has said that, including milreps and suits brought by the West German government, 10 people eventually were convicted in the probe.

Carone and Peffers both resurfaced in the current investigation, with Peffers, now a milrep, implicated in court documents with kickbacks to at least four exchange service officials. Carone was brought to Dallas from his home in Brooklyn, N.Y., to testify before the grand jury, where he insisted he has had no dealings with AAFES since 1970.

The ABC for BACK-TO-SCHOOL

GEOGRAPHY
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- Analyze the Market
- Bring in the Goods Early
- Cleverly Merchandise

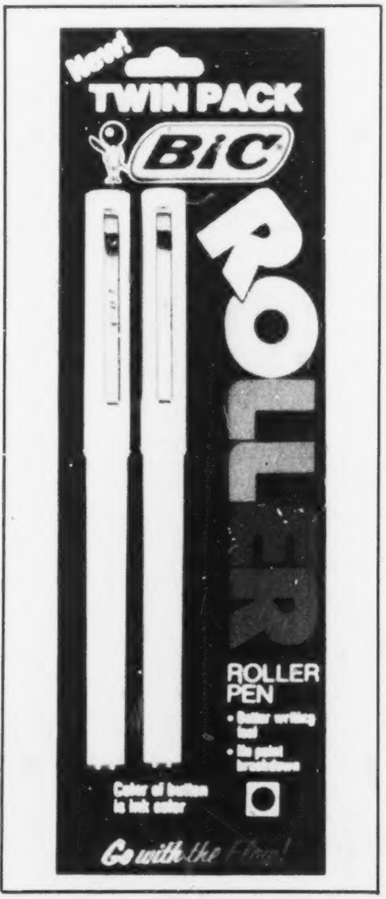
By Susanne D. Williams

For six to eight weeks, exchanges have a chance to maximize the sale of practically all of the store's goods under the back-to-school banner: Nary an object exists that couldn't be used in a student's transition from home to school. It is important, however, to know the customer age mix, to put in orders early and to cross-merchandise the goods for tie-in sales.

FOR RETAILERS — including exchanges — the back-to-school season requires some early homework. Reading demographic and product trends correctly, writing corresponding orders and calculating a fair ratio between prices and profits are elementary courses few retailers can afford to fail when the stakes amount to 20 to 30 percent of the annual business.

For children's/junior clothing and stationery products the back-to-school period is just about the most important selling time of the year. Luggage, shoes, small electrics and certain houseware items also benefit from it, placing the back-to-school period right behind Christmas and possibly Mother's Day in importance, discussions with exchange managers around Washington, D.C., reveal.

While the other two retail seasons generate more dollar sales volume because of the price points of items purchased, back-to-school scores high in the unit sales volume. The pens, pencils, notebooks, and filler paper students need to face another academic round are usually bought in bulk; furthermore, back-to-school comes twice a year — in July/August/September and again around January/ February — a fact which cements the significance of the back-to-school period even more. "Back-to-school peaks twice a year," an exchange manager told MILITARY MARKET, "and January is almost as big as the summer period."



BACK-TO-SCHOOL is prime time for promotional deals. The Bic Company supports its best-selling pens in multipacks with money-saving offers.

Early Start

Although it is difficult to pinpoint exactly when the midyear back-to-school starts and ends, most exchanges and suppliers talk about the July to mid-September time frame with sales being particularly strong during the last six weeks. The peak periods naturally vary, giving the different times at which schools and colleges open their doors again. "The Midwest and Sunbelt have different schedules that vary by about a month," an industry spokesman told MILITARY MARKET.

But business starts early and heavy advertising alerts shoppers way ahead of time. In exchanges, flyers are passed out a few days before the actual back-to-school kick-off with intercom announcements beginning about a week ahead.

For Navy exchanges, the back-to-school season lasts for approximately two months, with sales traffic the heaviest three weeks before and one week after school has begun. AAFES has scheduled this year's back-to-school promotions for four days from the end of

(Continued On Page 58)

BACK-TO-SCHOOL

CHILDRENS' AGE GROUPS

	TOTAL MILITARY *		TOTAL CIVILIAN **			
Age Group	1981	1978	1979	1978	1977	1976
Under 5 years	505,014	525,280	—	—	—	—
5 to 9 years	655,901	663,698	16,493,000	16,895,000	17,169,000	17,355,000
10 to 14 years	357,209	363,792	18,071,000	18,589,000	19,203,000	19,819,000
15 to 17 years	144,984	141,968	—	—	—	—
18 to 20 years	75,772	79,857	—	—	—	—
15 to 19 years	—	—	20,918,000	21,074,000	21,169,000	21,214,000

* Source: Department of Defense

** Source: Census Bureau

(Continued From Page 57)

July to the beginning of August. The AAFES stores know well in advance what general type of merchandise will be featured; however, "promotional deals are only known shortly before the event," one store manager said.

Basic orders for typical back-to-school merchandise, however, will have already been put in as early as nine months before the season's beginning, the store manager added. Softlines are the first, with leather and luggage as well as paper and stationery — "the sort of standard things" — being ordered by the end of April.

Orders are based on sales estimates derived from last year's sales figures and the customer profile for each exchange. For back-to-school sales, knowing a patronage's exact demographic data is very important: merchandise for pre-schoolers and college kids obviously varies — and knowing the age and income traits of customers determines which type and what amounts of merchandise to order heavily.

Most exchanges in the Washington, D.C. area, for instance, place particular emphasis on the younger school crowd — preschoolers and children in elementary schools — although some stores with a large retiree clientele also stock for senior high school and college students.

Nationwide, figures for children of military personnel indicate that the greatest number of youngsters fall into the five-to-nine year age group, and that following age groups become increasingly smaller. The overall national picture shows exactly the opposite: According to statistics from the Census Bureau the 15 to 19 year age group is the strongest one with younger age groups being smaller in number.

The obvious discrepancy between military and overall American figures can be explained by the fact that the number of young adults (and thus parents of small children) is much higher in the military than in civilian life. The 18 to 34 year category of males in the military, for instance, is 83 percent versus 42 percent for civilian life, Army Times Research Department statistics show.

Big Kids — Small Kids

For exchanges these statistics mean great emphasis on merchandise that children under 10 years of age need and want. Their tastes (and naturally sizes) differ to some degree from that of preteens and teenagers, particularly in the area of clothes, stationery products and lunch kits.

Take clothing, for instance. Garments for children under 10 years of age are usually basic with low mark-ups, the president of a girls' clothing company told MILITARY MARKET. The older the children are, the more sophisticated their tastes and the more stylish — and expensive — their clothing becomes. "Older boys are quite fashion conscious," the MSM of a boys' outfitting firm said.

In jeans, the situation looks very similar. The designer craze was most enthusiastically embraced by the preteen and teenage groups: Advertisement, cashing in on the so-called "baby sex" phenomenon as exemplified by Brooke Shields' Calvin Klein ads, is aimed at the 13 to 19 year market.

But while designer jeans cut into the basic jeans business for older children and young adults, the market for younger children was not hurt by it, a spokeswoman for a brand name jeans company told MILITARY MARKET. For younger children, the jeans market is basic; and buyers for the exchanges aim for the lowest price points in young children's clothes, she said.

Yet the fashion scene in jeans for preteens and teenagers may

OLDER students encouraged to do more original work, might welcome all supplies that ease the research effort. The card file, capable of holding 300 index cards, is part of the Wearever writing instrument and desk accessories.

THE HORN OF PLENTY

MEIN
ERSTER
SCHULTAG

THE FOLLOWING folkloristic account may contain fresh merchandising ideas for exchange managers, suffering from "it's back-to-school-time- again" doldrums.

For German firstgraders, the first day of school is considerably sweetened by a custom unique to Teutonic lands: the "school cone." These cones are huge cardboard containers — huge in relation to the kids whom they usually dwarf — filled with lots of goodies of the edible as well as the functional kind. Fruits and candy lead a merry coexistence with pens, rulers and erasers; and at the end of the exciting first day in school, kids compare their cones' contents with each other. And if there is none to compare it with, the cone-dwarfed kid still makes for ravishing family-album pictures and the cone's contents lessen the child's pain of the academic enslavement-to-come.

As with most traditions, the cone custom is shrouded in mystery — nobody seems to remember whether a clever businessman dreamt it up or whether it was invented to scare away evil chalk-and-blackboard spirits. But regardless of whence it came — the custom proves to be a healthy shot in the arm for back-to-school suppliers who do not only have one more item to sell — the cone — but can also benefit from the need to fill the seemingly bottomless tube.

Although customs are sometimes difficult to transplant from one culture to another, Germany-based exchanges may just want to give the "cony" tradition a try. After all, even something as European as St. Patrick's Day is almost becoming an American tradition these days—and the Teutonic school cone may turn out to be the right horn of plenty for back-to-school retailers. MM

have already reversed itself. "The designer jeans were overdone and the young customer wants something new again," the spokeswoman said. The new thing — as so often in fashion — - is the old thing: plain jeans with traditional stitching and well-known American brandnames on the back. "Lately, designer has levelled off," an exchange buyer told MILITARY MARKET.

Fashion and taste preferences also rule the stationery and lunch kit market. Annually, millions of dollars are poured into advertising notebooks, vacuum bottles and portfolios which carry the likenesses of comics characters, TV and movie stars.

Affiliation with a given age group determines who buys what. "We do quite well with licensed products for the younger crowd," a spokesman for a major paper products company said. These products are often adorned with comics characters such as Popeye and Disney figures or new creations such as Strawberry Shortcake. Most profitable are items with those characters who have just made their debut in movies, since these products are usually tied in with the movie's release.

High-school children, on the other hand, seem to be more attracted by TV characters such as "The Dukes of Hazzard" and general theme decorations. For lunch kits and vacuum bottles they even prefer plain facing, a buyer for the exchanges told MILITARY MARKET.

Although some characters such as the Sesame Street and Disney critters have timeless appeal, manufacturers are still forced to flush out a percentage of their merchandise year after year in order to stay in tune with "what is in." Although "every kid in the country is space happy" and attracted to Star Wars/The Empire Strikes Back type merchandise, as the spokesman for the paper products company said, next year's fad may have totally different dimensions. For makers of licensed products the name of the game is to stay in tune with currently popular themes. "We have to be very careful whom we pick," a spokesman for a lunch kit company said. And getting the license for the hottest character around "is a constant fight every year."

Hard Times

But it is not only demographics and fashion that exchanges and manufacturers have to keep in mind. Equally important can be sudden changes in the economic or political climate.

So far, the constant flow of bad economic news seems not to have affected the back-to-school business too much. "Whether you have depression, inflation, recession or whatever — kids go to school and need proper instruments," the spokesman for the paper products company said.

The MSM for a typewriter company agrees. "We haven't reached a breaking point yet," he told MILITARY MARKET. "People are still willing to spend money for education." Should the economic picture worsen, however, people may begin to cut down on school supply items with higher price points such as typewriters and calculators.

Makers of pens and pencils have already taken due note of the economically leaner times and countered with increasing offerings of multi-pack merchandise. Plagued with rising costs for raw materials, labor and transportation, they "don't like to change prices," a spokesman for a company known for its popular priced pens told MILITARY MARKET. As a result, pen manufacturers offer more and more small items in packages of

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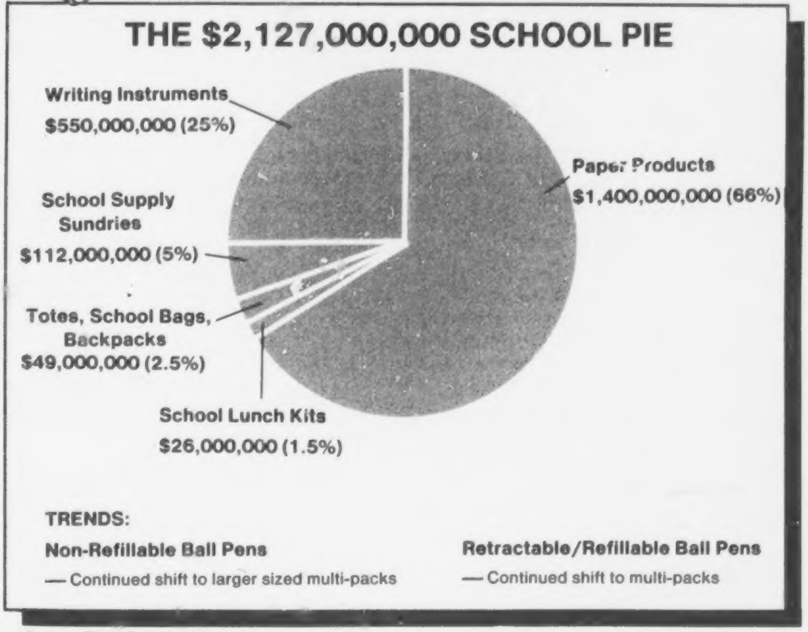
BACK-TO-SCHOOL



THE $2,127,000,000 SCHOOL PIE

TRENDS:

Non-Refillable Ball Pens
— Continued shift to larger sized multi-packs

Retractable/Refillable Ball Pens
— Continued shift to multi-packs

Source: Chain Store Age Research

(Continued From Page 59)

five and ten which saves on packaging and makes the product easier — and cheaper — to produce and ship. Pen makers also begin to decrease the number of items usually found in multi-packs in order to avoid otherwise necessary price hikes.

This year's changes in the political climate could strengthen the sales of lunch kits and vacuum bottles, some experts think. The Reagan administration's proposed 40 percent budget cut in the national school lunch program is expected to push some 10 million children out of the program. These children would mostly be youngsters who still enjoy subsidized full-price or reduced-price luncheons, but whose parents may not be willing to put up with the unsubsidized higher lunch prices. As a result, there might be an increased trend toward home-prepared food that will be carried to school in lunch boxes and vacuum bottles.

One military buyer definitely thinks that the proposed cuts, if put into effect, will increase sales of these products. So does a spokesman for a lunch kit manufacturing company, although "there are no figures to back it up," he said.

Should the budget cut go into effect, exchanges may want to maximize the potential of these items to generate additional sales. Dump and floor displays can highlight the kits and bottles — display strategies the military usually tends to use less for these products than commercial retailers, an industry spokesman said. Yet one exchange manager told MILITARY MARKET that in his store lunch kits will be stocked "in pretty large displays" to alert customers who "don't think about them unless they see them."

NEW inventions characterize the writing instrument market. Shown, below, is the Erasermate 2, Papermate's new and lower priced disposable model of the Eraser Mate pen with erasable ink.

The pen that erases mistakes

Ideas That Get An "A"

Display strategies have a vital role in the back-to-school business as do any fresh merchandising and promotional ideas suppliers and people in the military resale system can dream up.

While most clothing suppliers MILITARY MARKET talked with will not offer any promotional deals, manufacturers of smaller items such as paper products and pens have already mapped out this year's back-to-school promotional deals.

The **Papermate Co.**, for instance, will introduce the 98 cents retail "Erasermate," a cheaper and disposable model of the original Erasermate the company put onto the market in February 1979. The new pen "can do everything the original Erasermate can do," that is, erase anything the pen writes down in ink, a company spokesman told MILITARY MARKET, but its lower price point makes it more attractive to the student market. Pupils who have to hand in clean and neatly written homework or examinations may find the pen well suited for their purpose.

The **Bic Co.** will reveal its promotional prices and programs sometime this month, based on decisions made in January. It is to be expected that heavy emphasis will be on the company's bestselling Stic-Pen, the disposable see-through pen that the company is best known for. The pen will be offered in nine-packs succeeding

AAFES

Stationery:

B-T-S Volume: $3.48 million

Bestsellers: Filler paper, subject/theme books, note/steno books, typing paper

Shipments: Overseas — May, Con-US — June/July

Supply problems: Generally none, except for popular fashion products and bonus packs

Price increases: Paper — 15 to 20%, other supplies — 10 to 15%

Clothing:

B-T-S Volume: 40% of annual total

Bestsellers: Jackets, jeans, tops, dresses (girls); jeans, knitshirts, athletic socks, underwear (boys); blazers, pants, jeans, woven tops, sweaters (young women); casual and athletic shoes (footwear)

Shipments: Overseas — May, Con-US — June

Supply problems: Generally none, but corduroy may be a little tight.

Price increases: Vary by commodity, from 5 to 20 %

NAVRESSO

Stationery:

B-T-S volume: 20 % of total

Price increases: 5 - 7 % for paper goods, 10 % on others

Emphasis: Filler paper, spiral notebooks, organizers, pens

Licensed products: Under 5 % of total

Leather and Luggage:

B-T-S Volume: 12 % of total

Price increases: 5 - 8 %

Emphasis: Sportbags, promotionally priced attache cases, softsided luggage, footlockers, trunks.

Lunch kits:

Price increases: 15 %

Licensed products: One out of 15

the 10-pack which "sold so fast that the sales exceeded projections," a company spokesman said. Bic will also phase out blister cards and offer its products in plastic packages which can still be hung on pegboards.

The **Mead Co.** which sells paper and stationery items, will update last year's promotional "Buck Back" with the 1981 "Double Buck Back" program. Under this promotional plan, customers receive $2 from the company when sending in proof of purchase of one of Mead's TV-advertised products and four other basic Mead items. The promotion "will aid consumers during the inflation and represents tremendous savings," a company spokesman told MILITARY MARKET.

For the pen industry — which generates about one third of its sales during the back-to-school season — promotional programs are a way to stay ahead of a game in which competition is rather tough. "It's a real competitive market," an industry source said.

Exchanges as well as civilian markets can benefit from the price wars as well as the constant need on the part of pen makers to introduce newer and improved writing instruments. The roller pen, for instance, the industry's second newest product launched in 1977, already jumped 65 percent in sales between 1978 and 1979, and the new erasable ink pen promises equally enthusiastic consumer response.

Although it is easy to highlight merchandise that, by its very nature, sells itself during the back-to-school period and also receives heavy promotional backing, it is equally important to incorporate practically all of a store's merchandise into the two-to-two-and-a-half months selling time. Luggage is certainly an important tie-in, especially for stores catering to a larger back-to-college clientele. Trunks, suitcases, totes and portfolios are the obvious items in this department with schoolbags needed for younger children. Although the leather and luggage industry has no specific figures indicative of its total back-to-school business — it is too difficult to separate them from the concurrent sales figures for vacation-type luggage — one buyer for the exchanges pegs the back-to-school business at about 15 percent of total annual sales.

These sales can be tied-in (and possibly increased) through cross-merchandising with other items typical of the back-to-school season. So can shoes, some sporting goods, and all the other items that are needed when moving from home to dorm. Teenagers have very definite ideas on what is necessary for their well-being; and in this day and age stereo equipment and radios are an integral part of it. Exchanges certainly can't go wrong in reminding them or their parents that these items are not easily found on campus and should be bought before the big trip to academe begins.

Another way to increase sales, particularly sales of smaller and low-priced items, is to fully utilize check-out counters. Not only does the vicinity to store personnel have a negative effect on pilferage, it also spurs last-minute impulse sales. So far, the military makes lesser use of this prime sales location than civilian stores, an industry expert told MILITARY MARKET, although both AAFES and NAVRESSO are beginning to develop more sophisticated check-out planograms.

Last but not least exchanges can't afford to neglect one type student most back-to-school strategies seem to forget. A great number of service personnel as well as their spouses are students of evening classes, trying to obtain anything from high-school degrees to doctorates. Their school schedules usually coincide with that of children and young adults, and their basic requirements for pens and paper are obviously the same. Yet few crusty sailors would like to be seen with Strawberry Shortcake notebooks — adults demand more sophisticated looking merchandise. Exchanges with a heavy population of job-plus-school customers need to let these patrons know that they, too, are being recognized and catered to.

WHO BUYS?

INDIVIDUAL EXCHANGES know best what the ratio is between the number of children eligible to buy in the store and the number of children listed in "family count" customer profiles. But it stands to reason that a store which is not in walking distance to the homes of exchanges' youngest customers will see very little of patrons under 16 years of age.

As a result, most of the back-to-school buying is probably done by mothers and fathers who either shop for their children or may bring them along in their cars. In both cases, it is predominantly the adult that exchanges will have to address.

The appeal to the parental pocketbook is most obvious for departments with high-priced items. Stereos, radios, typewriters and hairdryers should therefore be merchandised in a fashion that makes such more frivolous back-to-school items palatable to adults. Flyers, intercom announcements, store signs and static displays could all carry the message that these high-ticket items are available at low and affordable prices.

If price is the biggest consideration in order to overcome parental hesitation, a sensitive eye and ear are needed in the clothing department. While underwear and, to a lesser degree, shoes are a " safe" buy, outer garments are often the source for intense family discussions. Parents and children don't always see eye to eye when it comes to "what everybody in class wears now," and a mother's dream of flannel trousers with a blazer for her son is usually in stark contrast to the clothing reality she sees at home.

Short of being drawn into family feuds, exchanges may want to alert sales personnel in the clothing department to keep well attuned to family discussions — and their outcomes. The merchandise that parents *and* children can finally agree on is the one that exchanges should emphasize, since few categorical "no's" on either side have been known to lead to great sales.

BEST AVAILABLE COPY

Military Market INDEX

COMMISSARIES

		JANUARY CY'81	JANUARY CY'80	JANUARY % CHANGE	YEAR-TO-DATE CY'81	YEAR-TO-DATE CY'80	YEAR-TO-DATE % CHANGE
AIR FORCE	CONUS	$133,078	$116,203	+14.5	$133,078	$116,203	+14.5
	OVERSEAS	27,964	22,669	+23.4	27,964	22,669	+23.4
	TOTAL	161,042	138,872	+16.0	161,042	138,872	+16.0
ARMY	CONUS	97,032	86,424	+12.3	97,032	86,424	+12.3
	OVERSEAS	29,328	25,792	+13.7	29,328	25,792	+13.7
	TOTAL	126,360	112,216	+12.6	126,360	112,216	+12.6
NAVY	CONUS	51,604	46,244	+11.6	51,604	46,244	+11.6
	OVERSEAS	6,128	5,351	+14.5	6,128	5,351	+14.5
	TOTAL	57,732	51,595	+11.9	57,732	51,595	+11.9
MARINES	CONUS	10,932	9,513	+14.9	10,932	9,513	+14.9
	OVERSEAS	160	150	+6.7	160	150	+6.7
	TOTAL	11,092	9,663	+14.8	11,092	9,663	+14.8
COAST GUARD	CONUS	534	415	+28.7	534	415	+28.7
	OVERSEAS	168	116	+44.8	168	116	+44.8
	TOTAL	702	531	+32.2	702	531	+32.2
ALL COMMISSARIES	CONUS	293,180	258,799	+13.3	293,180	258,799	+13.3
	OVERSEAS	63,748	54,078	+17.9	63,748	54,078	+17.9
	TOTAL	$356,928	$312,877	+14.1	$356,928	$312,877	+14.1
GROCERY STORES	U.S.[1]	$17.819 bil.	$15.636 bil.	+14.0	$17.819 bil.	$15.636 bil.	+14.0

EXCHANGES

		JANUARY CY'81	JANUARY CY'80	JANUARY % CHANGE	YEAR-TO-DATE CY'81	YEAR-TO-DATE CY'80	YEAR-TO-DATE % CHANGE
AAFES	CONUS	$172,530	$143,159	+20.5	$172,530	$143,159	+20.5
	OVERSEAS	130,827	116,370	+12.4	130,827	116,370	+12.4
	TOTAL	303,357	259,529	+16.9	303,357	259,529	+16.9
NAVY	CONUS[2]	53,671	55,041	-2.5	53,671	55,041	-2.5
	OVERSEAS[2]	22,088	22,870	-3.4	22,088	22,870	-3.4
	TOTAL[2]	75,759	77,911	-2.8	75,759	77,911	-2.8
MARINES	CONUS	17,348	16,526	+5.0	17,348	16,526	+5.0
	OVERSEAS	2,931	2,671	+9.7	2,931	2,671	+9.7
	TOTAL	20,279	19,197	+5.6	20,279	19,197	+5.6
COAST GUARD	CONUS[3]	4,902	4,160	+17.8	4,902	4,160	+17.8
	OVERSEAS[3]	548	525	+4.4	548	525	+4.4
	TOTAL[3]	5,450	4,685	+16.3	5,450	4,685	+16.3
MAIL ORDER	CONUS[4]	670	687	-2.5	670	687	-2.5
	OVERSEAS[4]	2,036	2,729	-25.4	2,036	2,729	-25.4
	TOTAL[4]	2,706	3,416	-20.8	2,706	3,416	-20.8
ALL EXCHANGES	CONUS	249,121	219,573	+13.5	249,121	219,573	+13.5
	OVERSEAS	158,430	145,165	+9.1	158,430	145,165	+9.1
	[illegible]AL	$407,551	$364,738	+11.7	$407,551	$364,738	+11.7
DEPARTMENT STORES	U.S.[1]	$5.917 bil.	$5.449 bil.	+8.6	$5.917 bil.	$5.449 bil.	+8.6

AAFES and Navy Exchange sales have been adjusted for 1980 and 1979 to reflect the breakout of mail order sales.

Individual figures may not add to totals, due to rounding. All sales are expressed in millions (add 000), except for grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges and exchange sales include concession volume.

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[1] Source: U.S. Department of Commerce.

[2] Does not include sales of ship stores.

[3] MM estimate, based upon official data.

[4] Includes consolidated sales for all services, including Coast Guard. Data prior to July 1980 was extracted from respective AAFES and NAVRESSO mail order catalogs.

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Military Market

MAGAZINE FOR THE MILITARY RETAIL SYSTEM
ARMY TIMES PUBLISHING COMPANY
JUNE 1981 $1.00

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SHIPS STORES

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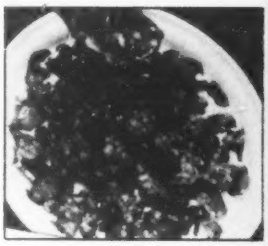
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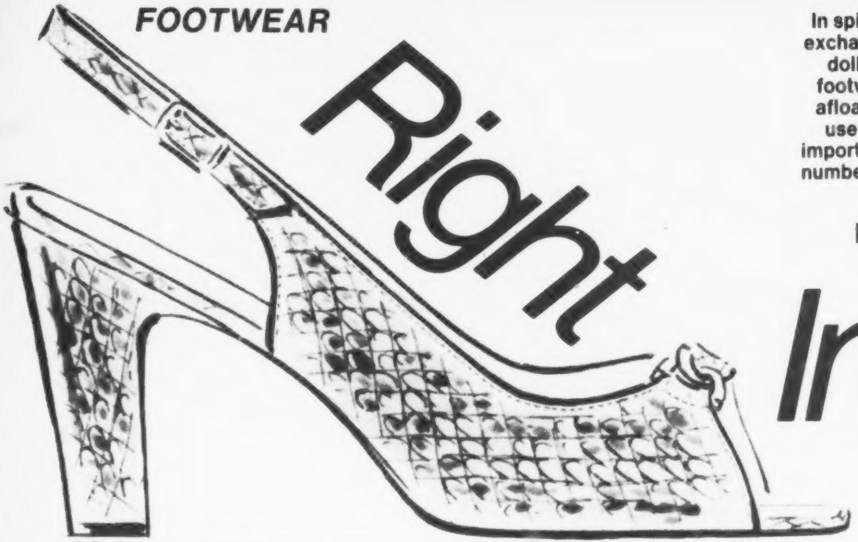
FOOTWEAR

Right In Step

In spite of a nationwide decline in shoe unit sales, exchanges have managed to steadily increase their dollar sales volume. Being able to offer quality footwear at lower prices has helped them to stay afloat in a market characterized by an increasing use of man-made materials, a massive influx of imports and heavy competition between a dwindling number of domestic shoe manufacturers.

By Susanne D. Williams



MILITARY SHOE sales have long ceased to be sales of military shoes alone.

Today's exchange shoe departments are shoe stores *en miniature*, offering a wide range of men's, women's and children's shoes. Only 15 percent of all AAFES sales, for instance, are generated from uniform shoes — the rest: civilian footwear to the tune of approximately $110 million worldwide in 1979, according to *Army Times* research figures.

All vendors MILITARY MARKET talked to agreed that fashion, style and price range of shoes that exchange buyers purchase do not differ much from that of 'outside markets.'

Nor do exchanges differ very much from the civilian world in terms of dollar sales figures. Although nationwide shoe sales have declined from 1.112 billion pairs in 1979 to 1.076 billion in 1980, shoe retailers still managed to gain an approximately 6.4 percent increase in dollar sales. Exchanges were slightly ahead with an approximately 8.8 percent dollar sales increase between 1978 and 1979 although that pace has slowed down some between 1979 and 1980. True, the dollar gains in exchange shoe departments reflect to some extent inflationary footwear prices, but staying afloat is no small feat in an economy where customers spend their money judiciously.

What differs to some degree are purchasing procedures. Exchange buyers, responsible for filling the shoe departments from Germany to Guam have to shop early, usually six months before another season starts.

In addition, the special rules and regulations governing the buying and selling for exchanges make it "an oddball business" from which some companies, although eager to do business, shy away, one industry source told MILITARY MARKET. As a consequence, many shoe vendors selling to exchanges combine military and export sales — another specialized market — in one department.

One MSM also pointed out that the centralization found in exchange buying — particularly in the AAFES purchasing and warehousing system — results in "an obvious attempt to cut down on SKUs." Although fewer SKUs mean a smaller range of widths, sizes, colors and styles, AAFES tries to accommodate any normal size and width. When it comes to odd sizes, however, "some we stock, some we special-order," an AAFES buyer told MILITARY MARKET.

Price ceilings are another phenomenon that has no equivalent in the civilian world. Currently, the dollar limitation for men's and women's shoes is set at $64.30 ($83.55 for boots and $120.30 for athletic footwear), but few companies seem to consider these ceilings a major obstacle.

Only two-and-a-half percent of all women's shoes sold, for instance, retail for over $60, a spokesman for the Footwear Council said. With over 52 percent of all shoes in the United States sold through what the Footwear Council calls "volume retailers," middle- and lower-priced shoes constitute the bulk of the business.

The increasing use of man-made materials has helped to keep the cost of footwear down, although leather prices, which skyrocketed a few years ago, have now stayed relatively stable, industry sources told MILITARY MARKET.

Overall shoes prices have increased rather slowly, the Footwear Council spokesman said. From 1976 to today, shoe prices have risen only 35 percent while all other commodities have jumped up 136 percent. Current price increases are pegged at seven percent; and although AAFES predicts price hikes of eight to 10 percent at cost from 1980 to 1981, "sales prices may or may not be increased."

Part of the reason for the slow price increases lies in the glut of footwear brought in from overseas. More than 50 percent of all shoes today are imported from Asian and European countries, mostly in the very low and very high price categories.

Just like other shoe retailers, exchanges have taken advantage of the low prices (Asia) and good workmanship (Europe) of imported shoes. For European exchanges, AAFES buys most athletic and leather fashion shoes, made in Europe, off-shore rather than routing them through the Fashion Distribution Center. Most Asian-made shoes, however, are brought to the States first with the exception of some sneakers.

To a great extent, the high numbers of imports have made the footwear business a "very competitive one." Today, approximately 340 U.S. manufacturers struggle for a piece of the pie as opposed to about 900 some 10 years ago. Market agreements between the United States and Taiwan and Korea, both exporters of inexpensive shoes, have managed to keep the competition down a bit; but both agreements will run out this month and may not be renegotiated.

The relative price stability of shoes has naturally benefitted shoe customers who, on a statistical average, bought 4.3 pairs of shoes in 1980 (4.5 in 1979), the Footwear Council spokesma said. Men are least inclined to make new purchases — they buy just under two pairs a year. Children's sales average one pair every three to four months and "women buy by far the highest number" — somewhere around six pairs a year.

The greater sales volume of women's shoes is directly related to the fact that women buy fashion — and the usually cheaper plastic shoes to boot.

Men on the other hand "still prefer leather," the MSM for a shoe company told MILITARY MARKET. For uniform shoes, however, man-made materials such as poromeric are gaining a foothold. Easy care is the key word yet the shoes can scratch easily and may be hot since the material doesn't breathe.

Although material and style are major considerations, "comfort is Number One in importance," another MSM said. As a result, customers are often willing to spend some extra dollars and demand well-constructed footwear in return. "There is a marked trend for better quality."

For some customers, quality means brand name shoes, and military customers are no exception. "[They] compare the shoes in civilian stores with those in exchanges," the MSM said, and comparisons are facilitated by brand names.

When it comes to prices, especially in brand name shoes, exchange shoe departments have a distinct advantage over most civilian stores. But although price has become an increasingly important consideration, service and merchandise assortment should not fall behind. Nowhere is that more significant than in the area of children's shoes, one MSM told MILITARY MARKET.

Vendors are more than willing to help out with training seminars and aids. "It's no big thing to take [the training] to the exchange level," one MSM said, to which another one added, "We do it, if we are asked to."

Fashion News In Autumn Shoes

FOOTWEAR MANUFACTURERS are inspired by the same conservatism that clothing manufacturers propose for the 1981 fall and winter fashion scene.

"Women's casual footwear, although remaining strong, will decline in popularity and give way to dressier shoes and boots," an AAFES buyer told MILITARY MARKET. "Pumps will be the strongest item in this category."

What will distinguish the classic pump from its forerunners will be "variations of vamp treatments, variations of bow treatments and variations of heel heights," the MSM of the Brown Shoe Co. predicted. Like the exchange buyer he, too, indicated that "casuals will be declining slightly into dressier footwear."

Heels, the footwear industry's equivalent of skirt lengths, "will vary from flat to approximately three inches," the AAFES buyer said. Three inches are a far cry from the staggering heel heights that characterized the fashion scene not too long ago and routinely prompted medical experts to deplore their impact on health and posture.

A range of "leaf" or "earth" colors will also add some zest to the traditional picture of black and brown pumps and prevent the classic look from becoming too classic — or plainly boring.

Pale beige, camel and winter ivory are the lighter hues designed to fight the winter blahs and correspond to the whites and beiges the clothing industry usually propagates as antidotes to seasonal darks. In the deeper tones, greens will make their debut; and in the red category, burgundy is still a viable option although a brighter red will be a strong promotional color.

Boots, faithful companions in slush and snow, will also remain a solid winter category; yet the Western influence, a clear winner in men's boots, will be of lesser importance, industry sources told MILITARY MARKET.

In men's shoes, the same sense of deja vu prevails, with loafers and wing-tips making a comeback. Although "Western boots are still very strong for dress as well as casual and are expected to stay strong for some time to come," as the AAFES buyer said, the urban, campus look of the sixties will dominate a good portion of men's casual-to-dressy footwear. Colors will be black and brown and quite in accord with the emphasis on classic, timeless merchandise.

SALES OF FOOTWEAR IN EXCHANGES
($ MILLION)

DESCRIPTION	CY 1979	CY 1978	CY 1977
Men's Footwear	$54,973,700	$49,890,100	$46,944,100
Men's Houseshoes	$3,207,700	$2,824,900	$2,709,800
Women's Footwear	$13,936,900	$12,913,900	$12,117,700
Women's Houseshoes	$5,530,600	$4,943,600	$4,579,900
Footwear — Boys	$14,821,900	$13,721,000	$13,167,200
Footwear — Girls	$16,591,200	$14,931,700	$13,930,600
Footwear — Training	$1,548,500	$ 1,664,700	$1,965,500
Total — All Footwear	$110,611,000	$100,889,900	$95,414,800

Source: Research Department, Army Times Publishing Co.
(Figures based on exchange sale reports)

USS EL PASO
LKA-117

SHIPS STORES

Full Sales Ahead

By Susanne D. Williams

Ships stores do not only play an important role in the lives of a ship's crew, they also move millions of dollars worth of merchandise. Bestsellers range from cassette recorders to snack items and soft drinks, with sales often quadrupling when ships are deployed. Selling to sailors makes lucrative sense; but it does have some problems all of its own.

SHIPS STORES sound like a retailer's dream.

What could be better than running "the only store in town" with no overhead for personnel, utilities, fixtures, upkeep or maintenance?

And what could be better than selling to a young captive audience, cooped up for months on end with little more entertainment than mail-call and grade B movies? An audience with no expenses for food and shelter, but with paychecks coming in on a regular two-week basis?

The dream, however, has some nightmarish aspects. The no-overhead store usually ranges from small to minuscule with more ducts and pipes than merchandise shelves. Ships stores, after all, are part of a ship where space is at a premium and aesthetics have to give way to functionalism and non-flammability. As a result, the stock on hand is bound to be small.

In addition, sailors' paychecks are limited, too, and married crew members normally set up allotments for their families, only receiving a small portion of their pay while underway. And although deployments can be long, ships pull into ports where other money-spending temptations beckon.

The ships store dream is thus steeped in haze-grey realities. Still, business opportunities are good since the needs of the crew require satisfaction. This is especially true for those lonely months at sea where no exchange or foreign port can come to rescue.

Currently, there are about 350 Navy ships stores in operation of which three — Diego Garcia, Midway and the South Pole—are land-based. Some ships, such as submarines, however, do not have retail outlets on board since there is no space available for them. Together, ships stores ashore and afloat sold approximately $84 million worth of goods in 1980, only $20 million more than the Naval Base in Pearl Harbor made from its exchange operations in 1979.

But to those involved in the business, ships stores are very important. For the crew, they are "a big morale factor," said Joe Hensley, field representative of NAVRESSO's Fleet Assistance Team in Norfolk, Va. For vendors, supplying ships stores can be "a fascinating business," as a military broker told MILITARY MARKET. And what about those people who run the stores? "It's a lot of fun," said Cdr. Kurt Libby, supply officer on the tender Yellowstone. "It's a very independent job within the guidelines, allowing for much individual initiative."

Who Is Who?

The job that the Navy, the vendors and crew members are required to do is essentially the same as that for other exchanges. Merchandise is ordered, supplied, stocked, sold, accounted for and reordered. But unlike exchanges, ships stores have no permanently fixed location; the merchandise assortment is small; ships often roll and so can the goods if they are not properly secured for sea; purchases are made with appropriated funds, and crew members associated with the ships store operation have to be sailors first and "businessmen" second.

That is not saying that the ship servicemen and supply officers in charge of ships store operations are not professionals. On the contrary: enlisted crewmembers have attended special schools and courses while officers — the so-called "porkchops" because of their collar insignia — are graduates of the Navy Supply Corps school in Athens, Ga. But their career and workload is influenced by naval aspects. The normal musters, watch-standing, evaluations and promotion patterns that apply to most of a ship's company also apply to ships store personnel.

In order to assure that those involved with ships store operations encounter the least number of problems, the Navy provides them with official help. On the one hand are the staff members of the type command a ship belongs to. The 190 surface ships homeported in Norfolk, Va., for instance, fall under the responsibility of COMNAVSURFLANT (Commander Naval Surface Force U.S. Atlantic Fleet) and their ships stores are supervised by COMNAVSURFLANT's Supply Inspection and Management Office.

On the other hand is NAVRESSO headquarters in New York which provides technical and administrative support and gives general guidance on day-to-day problems on a local level through its Fleet Assistance Teams (FATs).

And then there are the vendors who supply ships stores. Given the unique nature of the business, most manufacturers prefer to sell their merchandise through milreps or brokers, although there are some, especially in the vending machine business, who use their own people.

"We are the Johnny-on-the-spot," one milrep told MILITARY MARKET. His company, just as other broker firms, is the point of contact between ship and manufacturer and has to be capable of fulfilling last-minute requests and delivering the merchandise from

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SHIPS STORE SALES
($ MILLION)*

	1980	1979	1978	1977	1976
Total Sales	83.7	74.4	73.8	66.3	56.9
MWRF Contributions	9.7	8.5	9.7	7.7	5.9

Source: Navy Resale and Services Support Office

*Include sales from retail and service outlets and vending machines

SHIPS STORES

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big warehouses at the precise time a ship may want it.

Vendors usually do not shelf-stock, with the exception of those who refill cassette tape shelves, magazine racks and vending machines: Most other merchandise is for pier-side delivery and taken on board, stored and shelf-stocked by crew members.

Delivery schedules for ships store merchandise are tight. For one, the crew's work hours are planned around the operational requirements of the ship; thus, if a vendor fails to deliver at a pre-set time, the ship may not be able to accept the merchandise since crew members are not available. In addition, ships store merchandise is not the only commodity coming on board; rather it competes with food, spare parts and ship's supplies for delivery time.

Vendors, shore staff and NAVRESSO with its FATs have one thing in common: They all provide "assistance" to the ships stores and those responsible for them.

In discussions between representatives of all three "assisting" parties and MILITARY MARKET, reference was frequently made to "young ensigns fresh from Athens," who have little, if any experience on how to run a store. They are the ones for whom the key word "assistance" is of great importance.

Running a ships store is "a huge responsibility," Lou Caputo, director of the Ships Store branch at NAVRESSO headquarters said. As a result, the biggest problems for ships stores are management problems that beget many other problems.

Opinions vary, however, as to when a young ensign stops being a greenhorn and starts becoming an old hand. While some people think that four to five years will bring the change, others think "that one deployment will do it real fast," as one supply officer told MILITARY MARKET.

How Much "Geedunk"?

What one or two deployments would "do real fast" is to determine the amount and type of merchandise ships stores have to carry. Generally, ships are allowed a 90-day supply of merchandise; for deployments exceeding that time, ships stores take on an endurance load consisting of larger amounts of goods. The quantity of merchandise to be ordered is determined by three known factors, Caputo said: length of deployment, storage space and size of the crew.

Inventory is also limited by the dollar amount set by NAVRESSO regulations at $54 per sailor per three-months period. This inventory limit is increased when a ship is deployed or when a given ships store supplies the crew of other ships in addition to its own.

The basic needs of a ship's company can also be predetermined by records of previous sales; in addition, there are NAVRESSO's guidelines on how many line items a given ship should stock; and last but not least, FATs and vendors can offer "assistance."

But in the last analysis, each store officer is on his or her own. "Each crew has its own personality," a staff member said — and with its personality comes its choice of what or what not it wants to buy. Anticipating these choices is relatively easy when it comes to staples like cigarettes, H&BA and what is referred to as "geedunk" — snack items and soft drinks. But for luxury and semi-luxury items, decisions are harder to make.

For some ships, especially carriers, such unusual items as rice cookers are a hot item, Caputo said. For most ships, however, consumer electronics turn over fast. "They really help out sales a lot," Lt (j.g.) Paul T. Jensen, supply officer on the amphibious cargo ship El Paso, said.

Maintaining a good stock/sales ratio is important since Navy regulations on ships stores specify that the total dollar volume of all merchandise has to turn over four times a year. For fast moving items such as soft drinks this requirement is no problem. A carrier out of port could sell about 5000 cans of soda a day. Cigarettes enjoy similar popularity. A typical six-months' supply for the destroyer Stump, for instance, includes 105 cases—or 6300 cartons

CONSUMER ELECTRONICS such as cassette recorders or radios are a splashing sales success in most ships stores. This officer aboard the tender Yellowstone inspects a car radio.

— of cigarettes. Snack items probably top all sales to a point where "sometimes you think we don't feed the sailors," as a supply officer said.

$ In, $ Out

Basic items, however, have little mark-up — usually the purchase price is rounded to the next nickel or the next highest value, depending on the mark-up policy of a given ship. Big "profits" thus have to come from luxury and semi-luxury items — tape decks, radios, cameras and all those items normally not stocked in ships stores in great numbers, but items that sailors can order through the ships store catalog. This catalog is different from the combined AAFES-Navy catalog (from which crew members can also order), since it is a stock and pricing source for the ships store only and carries fewer items than the combined sevices catalog.

Sales of these items as well as a given percentage of sales through the AAFES-Navy catalog constitute a ships store's income. Bigger ships also have soda fountains which sell soft drinks, popcorn, icecream and snacks, another source of revenue for the ships store coffers. These sales dollars pay for merchandise as well as for supplies needed in the barber shop and the ship's laundry; both service operations are an integral part of the ships store business.

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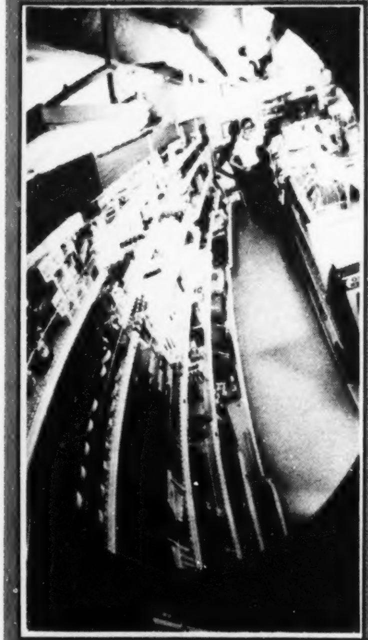
NEW ANGLES NEEDED



ALTHOUGH SHIPS are small, with overhead space lost to pipes and ducts, merchandising can be difficult, but well-stocked shelves and visible pricing help to present a neat display picture.

THAT DULLNESS can be deadly is a truism particularly pertinent to ships stores. The limited entertainment available aboard ship and the equally limited stock on hand in the stores thus place a special burden on ships store operators to counterattack the general malaise with some merchandising excitement.

Such advice, however, is easily given but difficult to translate. Most stores are not big enough to properly display all line items. Some stores are further handicapped by simply being operated through the windows of stockrooms.

But there are a few things ships store operators can do to add a little pizzazz. Here are a few tips, gleaned from a variety of sources.

- *Make use of the ship's internal television or intercom system.* Most ships already use the POD (Plan Of The Day) to "advertise" for the store or a special sale. But few seem to take advantage of the other available media to hawk their goods in a catchy fashion.

- *Make use of point-of-purchase material.* Vendors are usually willing and able to provide p-o-p signs, literature and display cases. If they don't take up too much room, it makes merchandising sense to get and to use them.

- *Attract attention to new merchandise.* New products deserve all the limelight they can get. A new snack item, for instance, rather than being buried among others on shelves, could be highlighted in full bins at a high-traffic area of the store.

- *Rotate the merchandise.* It's another tried-and-true way to make the same old merchandise appear in a new light and can do wonders to patrons' perceptions of the available goods.

- *Add visual appeal.* Considering the usually drab coloring of a ship's interior, it could pay off to gain the chain-of-command's consent to put some colorful touches to the ships store. Pipes, ducts and walls painted red, for example, could lure crewmembers into the store just to gawk at the artistic outburst — and they will probably not leave without making a purchase.

- *Keep the store neat.* Last but not least there are cleanliness, orderly display and visually attractive pricing of merchandise, a must for every ships store worth its salt.

NEW PRODUCT introductions deserve special focus. The amphibious cargo ship El Paso highlights canned vegetable juice in wire baskets at a key area in the store.

SHS3 BETH RHODES, ships store operator on the tender Yellowstone, is shown helping a customer. With the number of women in the Navy increasing, demand rises for feminine products.

SHIPS STORES

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What remains after adding sales and subtracting expenses is the store's "profit," which, under Navy regulations, is not to exceed 15 percent of total sales. Anything beyond that amount goes back to the Navy; and the remaining "profits" are split between the general Navy welfare and rec fund and that of an individual ship.

If all goes well with a ships store, the welfare and rec fund will abound much to the pride of a ship's commanding officer and his crew. But things can go wrong and "profits" can take a nose-dive.

Sea Trials and Tribulations

Merchandise bought overseas in large quantities, for instance, might have to be sold at cost or, worse yet, at loss since customs regulations prohibit the duty-free import of foreign-made goods. Perishable snack items may turn out to be exactly that — perishable — and have to be jettisoned if the ship's doctor declares them unfit for consumption. And there is always the possibility that one promising item turns out to be a flop, which burdens the inventory and lessens total sales figures.

Here and there a ship also has to resort to buying staple items in overseas ports where prices are notoriously high. One ship on cruise, for instance, which ran out of retail soap in Latin America, ended up buying soap bars at $4 a piece — and selling them for 75 cents. Stocking errors like that can reduce the "profit" by a considerable degree.

Should a ship slip too deep into the red figures, NAVRESSO will help with a grant or a loan, but few ships stores will ever head down that far. Accounting periods of four months — instead of the usual three of the past — already help to detect possible mistakes; and audits, carried out every 12 or 13 months, further detect mismanagement, accounting errors or other problem areas which result in a loss the ships store has to absorb. Break-ins or burglaries of a ships store, for instance, are not unusual aboard ship and pilferage occurs even within the store; but ships often limit the number of customers allowed in the store to cut down on the problem.

High Sea Highs and Lows

In spite of all possible pitfalls, however, ships stores continue to do quite well. They do particularly well during pay day and after the ship has pulled out of port, when sales can increase to four times the in-port total. "The longer you are at sea, the more you buy," a staff member told MILITARY MARKET.

Deploying also means being able to sell cigarettes without federal and state taxes outside the three-mile zone; to stock foreign merchandise in overseas ports and thus widen the merchandise selection, and to increase the number of sizes carried in military clothing.

COAST GUARD SHIPS SALES

COAST GUARD ships are not exactly a retail powerhouse: the Cleveland Coast Guard exchange, for instance, moves about five times more merchandise than all 18 Coast Guard ships stores combined. But just like Navy ships stores, those of the Coast Guard are a big morale factor for the crew, especially in such inhospitable surroundings as Antarctica.

Actual sales figures for these ships stores, however, will drop in the future as much as they already have dropped in the last years. The reason: Coast Guard ships are more and more satellited to shore units, whose sales figures will increasingly reflect ships sales, an official with the Coast Guard's NAFA (Non-Appropriated Fund Activities) Management Division, told MILITARY MARKET.

Being satellited simply means that a shore unit will take over the buying, ordering and accounting functions that some ships stores still have. For many ships, ordering in the small quantities needed for small crews is impossible, the official said. In addition, ships store personnel often do not have the experience to run a store well.

"There are some ships, however, we cannot satellite because of their location," the official said. For these, business will continue as usual and, in many respects, be very similar to that of Navy ships stores with the exception of dollar limitations on inventories.

Being at sea also increases the popularity of electronic games which have become real moneymakers for the ships stores. Any ship that wants one can get one, a staff member said; all a ships store officer has to do is to put in a request which NAVRESSO routinely approves if the reputation of the machines and their lessors is good. The programs of these games are usually changed every three months by the company that leases them; and mechanical failures, just like those of vending machines, can often be corrected by crew members. Sellers of the vending machines and lessors of electronic games train some sailors in the basic know-how; in addition, NAVRESSO's FATs conduct special operating and repair seminars.

Being at sea, however, also puts ships into a form of time warp. Fads, especially in music, often come and go before a ship has time to catch up. In addition, magazines lose their appeal of newsy freshness, one reason for which there are no newspapers for sale in ships stores. Sales of magazines are normally limited to comics and adult magazines although some commanding officers have been known to ban the latter. Unlike books, magazines are a commodity that wanders from sailor to sailor and thus enjoys good readership, but limited sales.

With few magazines and no newspapers for sale, sailors have little opportunity to clip out coupons — nor could they use them in ships stores if they were to be had. "The controls [needed for handling coupons] outweigh the benefits," Caputo said, although "we take advantage of every VPR if we can."

Once at sea, the days of wine and roses are gone as well. Alcohol cannot be sold aboard ship; and roses and other sweet smelling stuff cannot be wire-ordered for the beloved ones at home, although some vendors have tried to make that service available.

Deployments can also be a hardship for women if feminine hygiene products are not stocked in sufficient types and brands, MILITARY MARKET has learned from female crew members. Yet the number of women aboard ships is still very small and the business of catering to their personal needs is "not significant," NAVRESSO's Caputo said.

To Have Or Not To Have

Crew members who feel that a particular item needs to be stocked can talk to the ships store operator or use the suggestion box located in the store.

Usually anything authorized for exchanges can also be sold through the store, Caputo said, although civilian clothing is one category that probably will not make the list: Ships stores are too small to accommodate a reasonable range of sizes and colors. Television sets, currently still barred from most stateside exchanges, are also excluded from ships stores sales although their sales potential in ships stores would be tremendous, one milrep told MILITARY MARKET.

What is on the list of merchandise that a ships store can choose from are items on the Indefinite Delivery Contract Bulletin (revised every six months) and the ships store afloat catalog. New items introduced by manufacturers are put on the list after NAVRESSO has given its OK.

With the rather unpredictable sales potential of new items (or old standbys), ships stores are thrown back into the old dilemma of what to stock. But since the ships store dream is at least free of headaches over those managerial concerns other stores are plagued with, making decisions — and sometimes the wrong ones — is "the kind of thing you have to live with," Caputo said. Officially, gambling is prohibited aboard any ship — but for the ships stores gambling on what to order and how to sell it is often the only way to go.

FAST VS. REGULAR PAY

NAVRESSO WILL TRY to convert payment for all types of merchandise sold to ships stores to the fast-pay method, Lou Caputo, director of NAVRESSO's Ships Stores branch, told MILITARY MARKET. For vendors interested in getting their money quicker, that new policy should be good news.

Currently NAVRESSO uses two types of payment methods — "regular" payment for goods upon delivery, and the "fast-pay" method for practically all staples, under which a vendor will receive payment after the merchandise has been shipped.

Although the difference between the two payment modes may not be that significant on the surface, it becomes important when one considers what "delivery" can mean.

If, for example, a vendor in San Diego sells 50 shirts to a deployed ship under the regular payment plan, the shirts may actually catch up with the ship in, let's say, Yokosuka, Japan. By that time, many weeks will have passed between actually sending off the merchandise and the ship receiving it. Many more weeks will pass before the vendor receives a statement of receipt from the ship's supply officer, and many more again before he actually receives his money after presentation of the receipt statement.

The fast-pay method, on the other hand, allows a vendor to receive payment after he has sent off the goods. All he has to do is to certify the fact that the goods were shipped — and to present his certificate for payment to one of the Navy's Fleet Accounting and Dispersing Centers in Norfolk, Va., or San Diego, Ca.

In order to prevent mistakes, the fast-pay method has built-in procedures to double-check the congruity between what is said to have been shipped — and what actually is received. Should negative differences occur, vendors have to make up for them; and in particularly difficult cases, NAVRESSO in New York will take jurisdiction.

For all intents and purposes, the fast-pay method is a form of prepayment with great appeal at a time when tying up money can be expensive.

Military Market INDEX

COMMISSARIES

		FEBRUARY			YEAR-TO-DATE		
		CY'81	CY'80	% CHANGE	CY'81	CY'80	% CHANGE
AIR FORCE	CONUS	$116,905	$108,450	+7.8	$249,983	$224,654	+11.3
	OVERSEAS	23,722	22,314	+6.3	51,686	44,982	+14.9
	TOTAL	140,627	130,764	+7.5	301,669	269,636	+11.9
ARMY	CONUS	86,112	81,848	+5.2	183,144	168,272	+8.8
	OVERSEAS	26,520	25,168	+5.4	55,848	50,960	+9.6
	TOTAL	112,632	107,016	+5.2	238,992	219,232	+9.0
NAVY	CONUS	45,742	43,429	+5.3	97,347	89,673	+8.6
	OVERSEAS	5,612	5,227	+7.4	11,739	10,578	+11.0
	TOTAL	51,354	48,656	+5.5	109,086	100,251	+8.8
MARINES	CONUS	8,541	8,183	+4.4	19,472	17,696	+10.0
	OVERSEAS	163	125	+30.4	323	275	+17.5
	TOTAL	8,704	8,308	+4.8	19,795	17,971	+10.2
COAST GUARD	CONUS	464	444	+4.5	998	859	+16.2
	OVERSEAS	242	143	+69.2	410	259	+58.3
	TOTAL	706	587	+20.3	1,408	1,118	+25.9
ALL COMMISSARIES	CONUS	257,764	242,354	+6.4	550,944	501,154	+9.9
	OVERSEAS	56,259	52,977	+6.2	120,006	107,054	+12.1
	TOTAL	$314,023	$295,331	+6.3	$670,950	$608,208	+10.3
GROCERY STORES	U.S.[1]	$16.050 bil.	$15.428 bil.	+4.0	$33.880 bil.	$31.064 bil.	+9.1

EXCHANGES

		FEBRUARY			YEAR-TO-DATE		
		CY'81	CY'80	% CHANGE	CY'81	CY'80	% CHANGE
AAFES	CONUS	$173,858	$155,605	+11.7	$346,389	$298,763	+15.9
	OVERSEAS	121,599	117,017	+3.9	252,426	233,388	+8.2
	TOTAL	295,457	272,622	+8.4	598,815	532,151	+12.5
NAVY	CONUS[2]	80,498	71,570	+12.5	134,169	126,610	+6.0
	OVERSEAS[2]	29,783	26,694	+11.6	51,871	49,565	+4.6
	TOTAL[2]	110,281	98,264	+12.2	186,040	176,175	+5.6
MARINES	CONUS	26,203	21,477	+22.0	43,551	38,004	+14.6
	OVERSEAS	4,100	3,377	+21.4	7,031	6,048	+16.2
	TOTAL	30,303	24,854	+21.9	50,582	44,052	+14.8
COAST GUARD	CONUS[3]	5,396	4,059	+32.9	10,297	8,219	+25.3
	OVERSEAS[3]	601	512	+17.4	1,150	1,037	+10.9
	TOTAL[3]	5,997	4,571	+31.2	11,447	9,256	+23.7
MAIL ORDER	CONUS[4]	934	734	+27.2	1,604	1,422	+12.8
	OVERSEAS[4]	3,755	3,931	-4.5	5,792	6,660	-13.0
	TOTAL[4]	4,689	4,665	+0.5	7,396	8,082	-8.5
ALL EXCHANGES	CONUS	286,889	253,45	+13.2	536,010	473,018	+13.3
	OVERSEAS	159,838	151,531	+5.5	318,270	296,698	+7.3
	TOTAL	$446,727	$404,976	10.3	$854,280	$769,716	+11.0
DEPARTMENT STORES	U.S.[1]	$5.792 bil.	$5.532 bil.	+4.7	$11.665 bil.	$10.981 bil.	+6.2

AAFES and Navy Exchange sales have been adjusted for 1980 to reflect the breakout of mail order sales.

Individual figures may not add to totals, due to rounding. All sales are expressed in millions (add 000), except for grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges and exchange sales include concession volume.

[1] Source: U.S. Department of Commerce.

[2] Does not include sales of ship stores.

[3] MM estimate, based upon official data.

[4] Includes consolidated sales for all services, including Coast Guard. Data prior to July 1980 was extracted from respective AAFES and NAVRESSO mail order catalogs.

Military Market

MAGAZINE FOR THE MILITARY RETAIL SYSTEM ARMY TIMES PUBLISHING COMPANY JULY 1981 $2.50

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Military Market

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THE PEOPLE OF THE ARMED FORCES

POPULATION OF THE MILITARY COMMUNITY*

RESERVISTS**		
Reservists in Paid Status	819,000	7.3%
Spouses of Reservists	513,000	4.5%
Children of Reservists	590,000	5.2%
Total	**1,922,000**	**17.0%**
RETIREES		
Retired Military	1,322,000	11.7%
Spouses of Retired Military	1,231,700	10.9%
Other Dependents of Retirees	1,702,500	15.1%
Total	**4,256,200**	**37.7%**
ACTIVE DUTY		
Active Duty Military	2,096,500	18.7%
Spouses of Active Duty Military	1,144,000	10.1%
Other Dependents of Active Duty Military	1,859,500	16.5%
Total	**5,100,000**	**45.3%**
GRAND TOTAL	**11,278,200**	**100.0%**

*As of March, 1981

**Does not include Coast Guard.

AGE BREAKDOWN OF ACTIVE DUTY MILITARY*

Under 21	[illegible]
[illegible] years	[illegible]
[illegible]	[illegible]
[illegible] years	15.2 %
[illegible] years	[illegible]
[illegible] years	[illegible]

*As of September 30, 1980.

RESERVE FORCES STRENGTH*

ARMY NATIONAL GUARD	
Officers	37,287
Enlisted	312,738
Total	350,025
ARMY RESERVE	
Officers	35,632
Enlisted	159,514
Total	195,146
NAVAL RESERVE	
Officers	16,741
Enlisted	69,113
Total	85,854
MARINE CORPS RESERVE	
Officers	2,380
Enlisted	28,842
Total	31,222
AIR NATIONAL GUARD	
Officers	11,878
Enlisted	81,897
Total	93,775
AIR FORCE RESERVE	
Officers	12,967
Enlisted	44,981
Total	57,948
DEPARTMENT OF DEFENSE RESERVE FORCES (Total)	
Officers	**116,885**
Enlisted	**697,085**
Total	**813,970**

* As of September 30,1980.

Does not include 11,882 Coast Guard reservists.

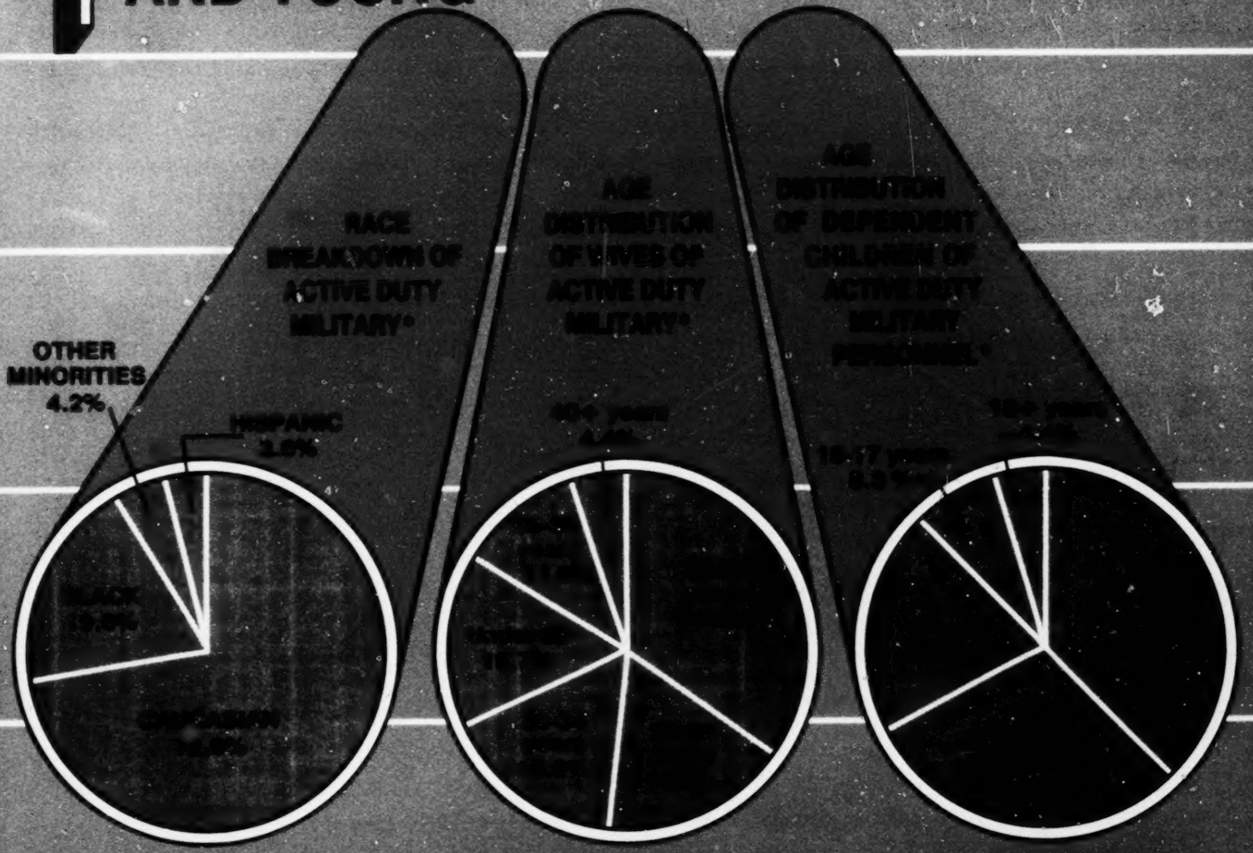
ACTIVE DUTY MILITARY PERSONNEL BY SEX*

	CY1980	CY1979	CY1978	CY1977	CY1976
Total Active Duty	2,050,627	2,027,494	2,062,404	2,074,543	2,083,581
Percent Male	91.6	92.6	93.5	94.3	94.6
Percent Female	8.4	7.4	6.5	5.7	5.4

*As of September 30, all years.
Does not include Coast Guard.

In 1980, there were more than two million active duty military personnel. Women accounted for 8.4 percent of that number. Personnel under the age of 26 made up 57 percent of active duty personnel. Blacks and other minorities were about 27 percent of the total active duty roster.

THE MILITARY "FAMILY" IS DIVERSE . . . AND YOUNG



* As of October 1, 1980.
Does not include Coast Guard.

*As of March 31, 1981.
Does not include Coast Guard.

*As of March 31, 1981.
Does not include Coast Guard.

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ACTIVE DUTY MILITARY PERSONNEL BY RANK, SEX AND SERVICE

As Of September 30, 1980

	ARMY		NAVY		MARINE CORPS		AIR FORCE	
RANK	Male	Female	Male	Female	Male	Female	Male	Female
OFFICERS								
07-010	430	2	257	2	66	—	351	3
0-6	4,523	90	3,522	79	679	6	5,079	60
0-5	10,892	267	7,305	229	1,475	21	12,330	314
0-4	15,221	696	11,555	701	2,820	38	17,426	737
0-3	25,478	3,075	15,552	1,593	4,666	122	32,401	2,891
0-2	9,933	1,356	8,476	1,215	4,233	138	8,536	1,920
0-1	11,366	2,010	8,512	1,040	2,678	134	13,033	2,568
WARRANT OFFICERS	13,265	113	3,002	18	1,194	28	—	—
TOTAL OFFICERS	91,108	7,609	56,181	4,877	17,771	487	89,156	8,493
ENLISTED PERSONNEL								
E-9	3,725	20	3,216	3	1,218	6	4,562	12
E-8	13,103	87	8,345	29	2,760	23	9,052	28
E-7	44,865	552	29,039	142	8,322	94	33,193	111
E-6	72,096	2,190	65,177	1,265	12,687	198	51,369	458
E-5	108,269	11,170	76,292	4,780	21,442	905	91,821	7,339
E-4	150,478	17,777	91,386	7,311	24,636	1,230	88,291	15,171
E-3	87,015	12,112	64,625	6,731	41,995	1,710	80,694	17,468
E-2	58,338	7,582	46,778	5,306	26,399	1,242	22,388	6,073
E-1	74,704	9,861	44,905	4,239	24,593	811	23,142	4,737
TOTAL ENLISTED	612,593	61,351	429,763	29,806	164,052	6,219	404,512	51,397
CADETS & MIDSHIPMEN	3,997	378	4,229	297	—	—	3,907	504
GRAND TOTAL	707,698	69,338	492,173	34,980	181,763	6,706	497,575	60,394

	TOTAL DOD			COAST GUARD*			TOTAL ALL SERVICES		
RANK	Male	Female	Total	Male	Female	Total	Male	Female	Total
OFFICERS									
07-010	1,104	7	1,111	29	—	29	1,133	7	1,140
0-6	13,703	235	13,938	326	—	326	14,029	235	14,264
0-5	32,002	831	32,833	605	—	605	32,607	831	33,438
0-4	47,022	2,172	49,194	874	3	877	47,896	2,175	50,071
0-3	78,097	7,681	85,778	1,198	37	1,235	79,295	7,718	87,013
0-2	31,178	4,629	35,807	569	19	588	31,747	4,648	36,395
0-1	35,589	5,752	41,341	365	31	396	35,954	5,783	41,737
WARRANT OFFICERS	17,461	159	17,620	1,491	2	1,493	18,952	161	19,113
TOTAL OFFICERS	256,156	21,466	277,622	5,457	92	5,549	261,613	21,558	283,171
ENLISTED PERSONNEL									
E-9	12,721	41	12,762	307	—	307	13,028	41	13,069
E-8	33,260	167	33,427	472	—	472	33,732	167	33,899
E-7	115,419	899	116,318	2,634	3	2,637	118,053	902	118,955
E-6	201,329	4,111	205,440	5,067	74	5,141	206,396	4,185	210,581
E-5	297,824	24,194	322,018	4,837	220	5,057	302,661	24,414	327,075
E-4	354,791	41,489	396,280	6,427	294	6,721	361,218	41,783	403,001
E-3	274,329	38,021	312,350	5,097	381	5,478	279,426	38,402	317,828
E-2	153,903	20,203	174,106	4,355	417	4,772	158,258	20,620	178,878
E-1	167,344	19,648	186,992	945	64	1,009	168,289	19,712	188,001
TOTAL ENLISTED	1,610,920	148,773	1,759,693	30,141	1,453	31,594	1,641,061	150,226	1,791,287
CADETS & MIDSHIPMEN	12,133	1,179	13,312	779	98	877	12,912	1,277	14,189
GRAND TOTAL	1,679,209	171,418	2,050,627	36,377	1,643	38,020	1,915,586	173,061	2,088,647

*The Coast Guard is part of the Department of Transportation. All other data is from the Department of Defense.

Officers make up 13.6 percent of active duty military personnel, enlisted account for 85.8 percent, and cadets make up a fractional 0.[illegible] percent of the active duty armed forces roster.

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PAY AND COMPENSATION

INCOME OF THE MILITARY COMMUNITY FY1981

Active Duty Military, Total	**$48.4 Billion**
Military Pay, Allowances, Benefits	$42.6 Billion
"Moonlighting" and Working Wives Income	$5.8 Billion
Retired Military, Total	**$39.1 Billion**
Pensions	$13.7 Billion
2nd Career Jobs	$19.0 Billion
Working Wives Income	$6.4 Billion
Reservists in Paid Status, Total	**$23.2 Billion**
Reserve Training Pay	$2.3 Billion
Employment Income	$16.4 Billion
Working Wives Income	$4.5 Billion
Total Income of the Military Community	**$110.7 Billion**

AVERAGE MILITARY COMPENSATION OVER THE LAST FIVE YEARS

FY 1977	FY 1978	FY 1979	FY 1980	FY 1981
$14,398	$15,367	$16,594	$18,420	$20,546

SOURCE: FY 1981 DoD Personnel Budget

FY 1981 ACTIVE DUTY MILITARY COMPENSATION

Average Military Compensation	**$20,546***
Regular Military Compensation	$14,689
Basic Pay	$11,210
Basic Allowance for Quarters	$1,437
Subsistence Allowance and Costs	$1,216
Income Tax Advantage	$826
Special Allowances	$336
Special and Premium Pays	$720
Commissary and Exchange Savings	$662
Free and Reduced Cost Medical and Dental Care	$865
Retirement Credit for Current Year's Service	$2,660
Social Security (Government Contribution)	$614

*Annual rate, including value of military fringe benefits.

SOURCE: DoD Personnel Budget for FY1981.

In 1980, the average annual compensation for active duty military climbed above the $20,000 mark for the first time. Aggregate income for the resale systems' pool of potential customers is now more than $110 billion.

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EXCHANGE SALES

[illegible]

CATEGORY	WORLDWIDE DOLLAR SALES PERCENTAGE		DOMESTIC DOLLAR SALES PERCENTAGE		OVERSEAS DOLLAR SALES PERCENTAGE	
AUTOMOTIVE	$128.6	3.0%	$85.5	3.3%	$43.1	2.6%
TOBACCO PRODUCTS	$361.6	8.5%	$284.2	10.8%	$77.4	4.8%
FOOD & BEVERAGES	$527.8	12.4%	$310.7	11.8%	$217.1	13.4%
HEALTH & BEAUTY AIDS	$294.8	6.9%	$201.8	7.7%	$93.0	5.7%
MILITARY CLOTHING	$126.8	3.0%	$101.7	3.9%	$25.1	1.5%
WATCHES & JEWELRY	$168.0	4.0%	$102.6	3.9%	$65.4	4.0%
STATIONERY	$184.4	4.3%	$131.9	5.0%	$52.5	3.2%
MEN'S OUTERWEAR	$107.2	2.5%	$65.4	2.5%	$41.8	2.6%
MEN'S FURNISHINGS	$178.6	4.2%	$125.1	4.8%	$53.5	3.3%
WOMEN'S OUTERWEAR	$121.6	2.9%	$80.0	3.0%	$41.6	2.6%
WOMEN'S FURNISHINGS	$94.8	2.2%	$73.0	2.8%	$21.8	1.4%
BOYS' WEAR	$50.8	1.2%	$34.2	1.3%	$16.6	1.0%
GIRLS' WEAR	$38.8	0.9%	$25.1	1.0%	$13.7	0.8%
INFANTS & TODDLERS' WEAR	$52.9	1.2%	$36.4	1.4%	$16.5	1.0%
FOOTWEAR	$128.8	3.0%	$90.6	3.4%	$38.2	2.3%
LINENS & DOMESTICS	$96.0	2.3%	$63.2	2.4%	$32.8	2.0%
YARDAGE & SEWING NOTIONS	$43.6	1.0%	$24.8	0.9%	$18.8	1.2%
DINNER & FLATWARE	$40.1	0.9%	$20.6	0.8%	$19.5	1.2%
KITCHENWARE	$63.8	1.5%	$41.4	1.6%	$22.4	1.4%
GIFTWARE	$53.2	1.3%	$30.0	1.1%	$23.2	1.4%
CLEANING SUPPLIES	$55.2	1.3%	$39.1	1.5%	$16.1	0.9%
HOUSEHOLD PAPER PRODUCTS	$5.2	0.1%	$3.3	0.1%	$1.9	0.1%
TRAFFIC & MAJOR APPLIANCES	$147.8	3.5%	$85.3	3.2%	$62.5	3.8%
FURNITURE & RUGS	$53.9	1.3%	$17.4	0.7%	$36.5	2.2%
HARDWARE	$116.3	2.7%	$94.0	3.6%	$22.3	1.4%
OUTDOOR LIVING	$66.8	1.6%	$58.8	2.2%	$8.0	0.5%
LUGGAGE	$55.2	1.3%	$37.8	1.4%	$17.4	1.1%
SPORTING GOODS & CAMPING	$84.5	2.0%	$55.9	2.2%	$28.6	1.8%
PHOTOGRAPHY & OPTICAL	$186.4	4.4%	$102.7	3.9%	$83.7	5.2%
HOBBIES	$6.7	0.2%	$4.0	0.2%	$2.7	0.2%
TOYS & GAMES	$82.2	1.9%	$47.6	1.8%	$34.6	2.1%
HOME ENTERTAINMENT	$450.8	10.6%	$112.7	4.3%	$338.1	20.8%
PRE-RECORDED RECORDS & TAPES	$79.0	1.9%	$38.4	1.5%	$40.6	2.5%
TOTAL RETAIL DEPARTMENTS	$4252.2	100.0%	$2,625.2	100.0%	$1,627.0	100.0%

NOTE: Due to rounding, items may not add to totals. All figures are estimated for the calendar year 1980 for all services including Veterans Canteen Service. Sales shown in millions of dollars and percentage share of total sales.

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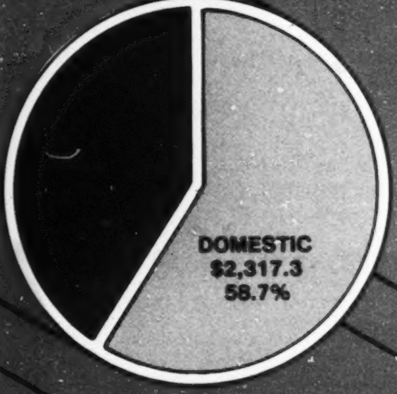
PERCENT OF EXCHANGE SALES BY SYSTEM WORLDWIDE CY 1980

SYSTEM	WORLDWIDE SALES IN MILLIONS	PERCENT OF TOTAL SALES
AAFES	$3,948.2	66.5%
NAVY	$1,439.9	24.2%
MARINE CORPS	$328.3	5.5%
COAST GUARD	$77.8	1.3%
V.A. CANTEENS	$149.4	2.5%
ALL EXCHANGE SYSTEMS	$5,943.6 Mil.	100.0%

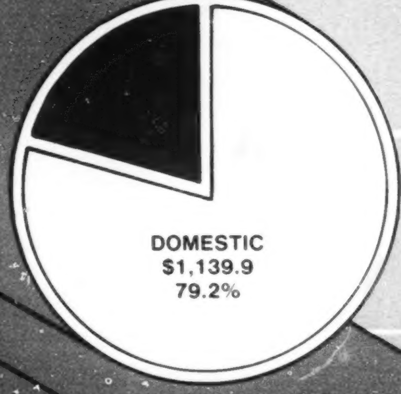
SALES GROWTH

CY 1976	$4.2 BILLION
CY 1977	$4.4 BILLION
CY 1978	$4.8 BILLION
CY 1979	$5.3 BILLION
CY 1980	$5.9 BILLION

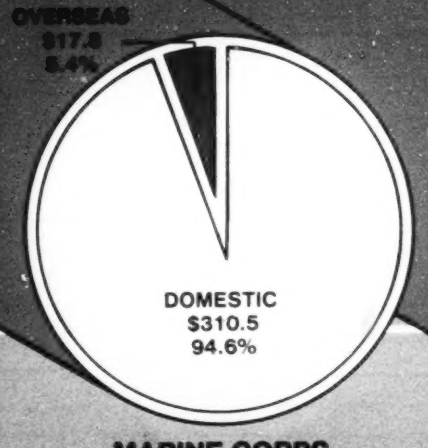
Total exchange sales approached the six billion dollar mark at the end of 1980. Overall 67.2 percent of total exchange sales came from domestic outlets in 1980, while the balance of 32.8 percent of sales were made in overseas outlets.



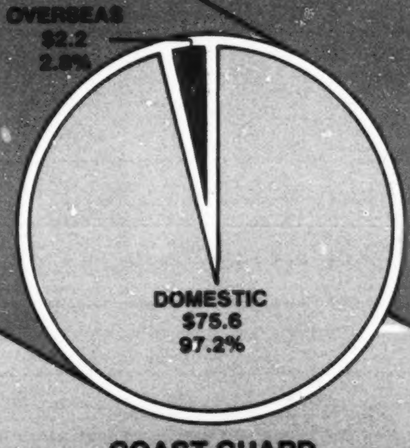
AAFES
WORLDWIDE
$3,948.2 Mil.



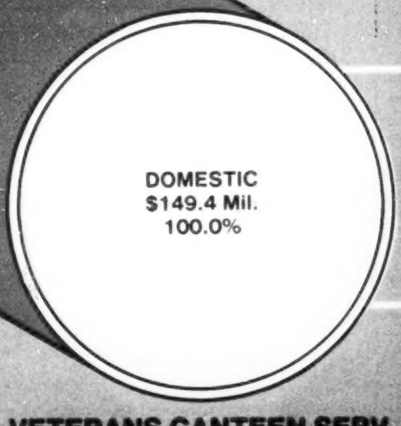
NAVY
WORLDWIDE
$1,439.9 Mil.



MARINE CORPS
WORLDWIDE
$328.3 Mil.



COAST GUARD
WORLDWIDE
$77.8 Mil.



VETERANS CANTEEN SERV.
WORLDWIDE
149.4 Mil.

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COMMISSARY SALES

Shown here is a category-by-category breakdown of sales in commissaries during 1980

CATEGORY	WORLDWIDE DOLLAR SALES	PERCENTAGE	DOMESTIC DOLLARSALES	PERCENTAGE	OVERSEAS DOLLAR SALES	PERCENTAGE
FRESH & CURED MEAT, POULTRY & SEAFOOD	$968.1	24.7%	$797.3	24.7%	$170.8	24.7%
FROZEN FOODS	$302.2	7.7%	$257.3	8.0%	$44.9	6.5%
DAIRY PRODUCTS	$348.8	8.9%	$292.0	9.0%	$56.8	8.2%
PRODUCE	$180.3	4.6%	$147.8	4.6%	$32.5	4.7%
BAKED GOODS	$223.4	5.7%	$186.3	5.8%	$37.1	5.4%
BAKING NEEDS	$118.0	3.0%	$97.8	3.0%	$20.2	2.9%
PREPARED BEVERAGES	$137.2	3.5%	$110.0	3.4%	$27.2	3.9%
SOFT DRINKS (NOT STOCKED BY NAVY)	$38.8	1.0%	$32.8	1.0%	$6.0	0.9%
CANDY & CHEWING GUM	$35.7	0.9%	$30.1	0.9%	$5.6	0.8%
BABY FOODS	$60.0	1.5%	$48.8	1.5%	$11.2	1.6%
CANNED FOODS	$344.9	8.8%	$278.2	8.6%	$66.7	9.6%
CEREALS	$74.5	1.9%	$59.2	1.8%	$15.3	2.2%
MACARONI & PASTA PRODUCTS	$27.4	0.7%	$22.5	0.7%	$4.9	0.7%
SAUCES	$39.3	1.0%	$32.2	1.0%	$7.1	1.0%
DRESSINGS	$34.9	0.9%	$27.7	0.9%	$7.2	1.0%
PICKLES, OLIVES & VINEGAR	$21.1	0.5%	$17.3	0.5%	$3.8	0.6%
SPICES & EXTRACTS	$19.6	0.5%	$16.0	0.5%	$3.6	0.5%
DRIED FRUITS, VEGETABLES & NUTS	$45.9	1.2%	$38.1	1.2%	$7.8	1.1%
SPREADS	$37.2	0.9%	$30.5	0.9%	$6.7	1.0%
DIETETIC & LOW CALORIE FOODS	$19.9	0.5%	$16.3	0.5%	$3.6	0.5%
SYRUP	$10.2	0.3%	$8.4	0.3%	$1.8	0.3%
DESSERTS & TOPPINGS	$25.9	0.7%	$21.2	0.7%	$4.7	0.7%
HOUSEHOLD SUPPLIES	$352.7	9.0%	$283.5	8.8%	$69.2	10.0%
PET FOODS	$105.8	2.7%	$85.4	2.6%	$20.4	3.0%
TOBACCO PRODUCTS*	$235.1	6.0%	$199.6	6.2%	$35.5	5.1%
HEALTH & BEAUTY AIDS	$109.7	2.8%	$89.3	2.8%	$20.4	3.0%
MISCELLANEOUS	$2.7	0.1%	$2.4	0.1%	$0.3	0.1%
TOTAL DEPARTMENTS	$3,919.3	100.0%	$3,228.0	100.0%	$691.3	100.0%

*Tobacco Products as a percentage of total sales are computed including sales of Navy and Marine Corps commissaries, which do not stock tobacco products. When computed as a percentage of sales of Army and Air Force stores, tobacco products are 7.5% of worldwide sales, 7.8% of domestic sales, and 6.1% of overseas sales.

NOTE: Due to rounding, items may not add to totals. All figures are estimated for calendar year 1980 for all services, including State Department Co-ops. Sales shown in millions of dollars and percentage share of total sales.

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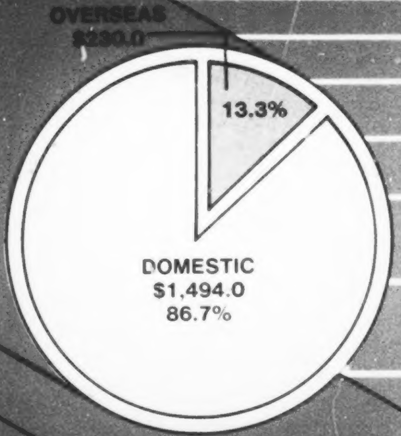
PERCENT OF COMMISSARY SALES BY SYSTEM WORLDWIDE CY 1980

SYSTEM	WORLDWIDE SALES IN MILLIONS	PERCENT OF TOTAL SALES
AIR FORCE	$1,724.0 Mil.	44.0%
ARMY	$1,400.2 Mil.	35.7%
NAVY	$627.7 Mil.	16.0%
MARINE CORPS	$117.7 Mil.	3.0%
COAST GUARD	$8.7 Mil.	0.2%
STATE DEPARTMENT	$41.0 Mil.	1.1%

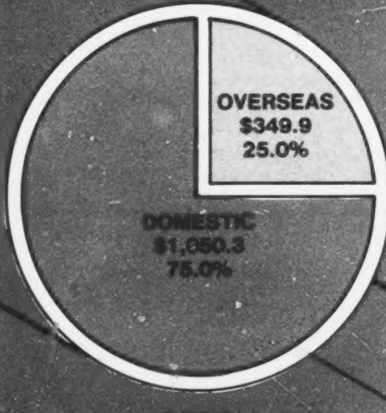


AIR FORCE
WORLDWIDE
$1,724.0 Mil.

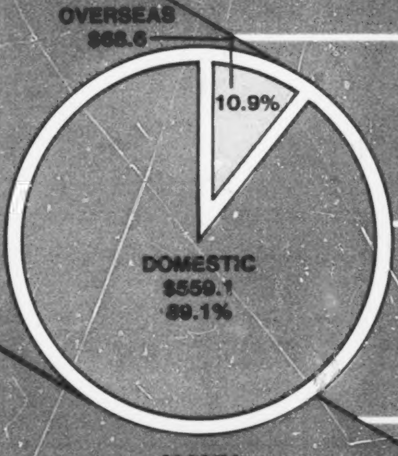
SALES GROWTH

CY 1976 . . . . $3.0 BILLION
CY 1977 . . . . $3.1 BILLION
CY 1978 . . . . $3.3 BILLION
CY 1979 . . . . $3.6 BILLION
CY 1980 . . . . $3.9 BILLION

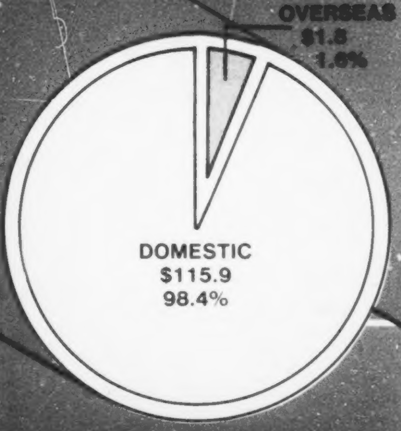
By the end of 1980 total commissary sales hovered right at the four billion dollar mark. Overall, 82.4 percent of commissary sales originated in domestic outlets. Only 17.6 percent of the sales [illegible]



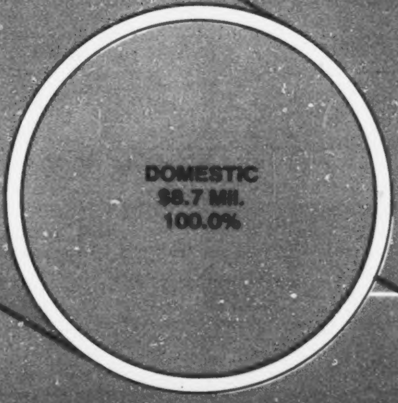
ARMY
WORLDWIDE
$1,400.2



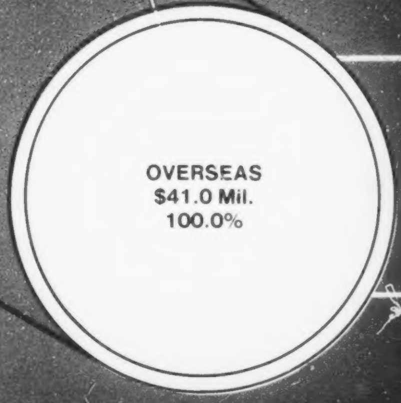
NAVY
WORLDWIDE
$627.7 Mil.



MARINE CORPS
WORLDWIDE
$117.7 Mil.



COAST GUARD
WORLDWIDE
$8.7 Mil.



STATE DEPARTMENT
WORLDWIDE
$41.0 Mil.

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COMMISSARIES AND EXCHANGES MEASURE UP TO CIVILIAN STORES

1 Safeway	$15.1 Bil.
2 Kroger	$10.3 Bil.
3 A&P	$6.8 Bil.
4 Lucky	$6.5 Bil.
5 American Stores	$6.3 Bil.
6 Winn-Dixie	$5.4 Bil.
7 Jewel	$4.2 Bil.
8 Worldwide Commissaries	**$3.9 Bil.**
9 Grand Union	$3.5 Bil.
10 Albertson's	$3.0 Bil.

Commissary totals are for the calendar year 1980. Civilian chain sales for calendar year 1980 as reported in *Progressive Grocer*, April, 1981.

	1980	1979
Sears	$18.4	$17.5
K-Mart	14.2	13.3
J.C.Penney	11.6	11.3
Woolworth	7.3	6.8
Federated Department Stores	6.3	4.9
Worldwide Military Exchanges	**5.9**	**5.3**
Montgomery Ward	5.4	5.2
Domestic Military Exchanges	**4.0**	**3.4**

$ Billions.

SOURCE: *Chain Store Age*, Research Department for General Merchandise Edition.

COMBINED 1980 COMMISSARY AND EXCHANGE SALES

CY 1976	CY 1977	CY 1978	CY 1979	CY 1980
$7,200 Mil.	$7,457 Mil.	$8,123 Mil.	$8,890 Mil.	$9,863 Mil.

COMMISSARIES	**$3,919.3 Mil.**	**40%**
EXCHANGES*	**$5,943.6 Mil.**	**60%**
TOTAL	**$9,862.9 Mil.**	**100%**

*Includes sales by mail order, catalog, concessions, food service, personnel services, etc.

Combined 1980 sales for commissaries and exchanges were nearly 10 billion dollars. Commissaries maintained their eighth place ranking among food retailers, while exchanges were in sixth place among American general merchandise retailers.

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A[illegible] SERVICE

The Army and Air Force Exchange Service is a worldwide command under the Departments of the Army and Air Force. From its headquarters in Dallas, Texas, a staff of 33 key military personnel and several hundred career executives direct the worldwide AAFES organization of over 63,000 personnel located on hundreds of Army and Air Force installations throughout the continental United States and overseas. AAFES' mission is to provide its 7.5 million authorized patrons merchandise and services of necessity and convenience which are not furnished from appropriated funds at uniformly low prices and to supplement funds for the support of Army and Air Force morale and recreational programs. That mission is accomplished through 4,294 retail sales facilities, 2,189 food facilities, 668 automotive shops, 168 Military Clothing Sales facilities, 1,135 motion picture theaters, Over 60,600 vending machines and over 5,200 personal services facilities.

The Army and Air Force Exchange Service enjoyed considerable growth during FY '80 as sales were up 14% to $3.9 billion and earnings increased 20% to $189.1 million. After factoring out an 11% inflation rate, a real sales gain of 3% was achieved during FY '80. The Army and Air Force Morale, Welfare and Recreation Funds received FY '80 dividend payments of $90 million compared to $86 million for FY '79.

The retail inventory shrinkage rate during 1980 was .72% of sales as compared with .89% for last year. This represents the lowest percentage since FY 1966 and reflects the emphasis placed on accountability controls. The AAFES shrinkage loss rate averages about one third the rate experienced by commercial retail organizations.

In order to provide the service members with a more pleasant atmosphere in which to shop, AAFES continues to build new facilities and to renovate and expand old ones. During the year, AAFES completed 12 new facilities, including four shopping centers, four convenience stores, one fast food facility, one snack bar, one service station, and at the headquarters in Dallas the Fashion Distribution Center (FDC) addition was completed. The FDC, dedicated in December 1980, processes ladies', men's, and children's clothing and fashion merchandise. Weekly distribution to AAFES stores reduces in-store inventories and allows customers to purchase fashion merchandise continually rather than only at season opening. Advantages of the FDC are volume procurement, centralized quality assurance and balanced shipments to stores. Major expansions were also completed at six main exchanges.

Renovation, or reformatting, of facilities includes reorganization of the shopping areas to provide the latest concepts in the merchandising trade. Customers are enjoying the latest merchandise display fixtures layout concepts and accent lighting which compare with those found in the giant retail chains. Eight main exchanges have been modernized and 18 more are in various stages of design.

Part of the financial success enjoyed by AAFES in FY '80 is attributed to the strength of the sales promotion program and its responsiveness to the needs of the service members. Sales have featured items with strong customer appeal, priced at recognizable savings. The success of the 26 AAFES-wide sales events held during FY '80 has prompted the addition of three more events for FY '81. Selections in each sales event have included and will continue to include health and beauty aids, paper products, film/flash bulbs, cleaning supplies, automotive products, small electrical appliances, cosmetics, men's dress shirts/slacks, and power tools.

AAFES' Budget Specials (ABS) program features 310 regular stock items ranging from vitamins to household cleaning agents. The ABS program is tailored to help customers fight inflation. During FY '80, 119 items were added and 38 deleted from this dynamic program.

The "Exchange Catalog 81," published in July, 1980, combined the separate mail order catalogs of AAFES and the Navy Resale and Services Support Office (NAVRESSO). Prior to the merger, the Navy Exchange's annual sales were approximately $15 million; AAFES' were $33 million. Sinse the merger, combined sales have reached $4.7 million a month. Video cassette recorders, music systems, vacuum cleaners, pots and pans sets, and typewriters were the most popular items.

In October, 1980, AAFES assumed management of Army military clothing sales stores in Europe with stores in other locations to be phased in during 1981. AAFES management of the stores will produce considerable savings in the Department of the Army appropriated funds. AAFES has successfully operated the Air Force military clothing sales stores since 1976.

AAFES' Deferred Payment Program has now been phased in at all authorized overseas locations. The low interest rate of 1 percent per month on an unpaid balance attracted sales of $156 million for FY '80. Estimated customer savings as a result of the low finance charges is $3.2 million.

During the year, the AAFES customer spent approximately 70 cents of each sales dollar on retail merchandise; 11 cents on gasoline, automotive and other services; 8 cents in concession activities; 7 cents on food; 3 cents in vending machines; and 1 cent for theater admission.

The Federal Task Force Investigation into fraud, waste, and abuse within AAFES has resulted

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Walker Blvd.,
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(214) 330-2011

in numerous federal criminal convictions. From its inception in 1976 to the present date, 12 either current or former AAFES employees have been convicted. During this time, 14 outside business firms and/or individuals likewise have been convicted. Several of the employees who have been convicted either retired or resigned before AAFES learned of their misconduct. Seven of them were separated for cause. At the same time suspension/debarment action has been taken against 75 businesses and/or individuals. In addition, AAFES has and currently is seeking to recover from the businesses and individuals who bribed the AAFES employees as well as from the AAFES employee, monies equal to the amount of the bribes paid. To date, AAFES has recovered $98,000. Despite the discovery of procurement fraud, there has been no evidence that AAFES customers have been affected by higher prices or lower quality merchandise.

An automated Visitor Registration System, which provides computerized information on those doing business with with AAFES, was implemented at headquarters, AAFES, the ConUS regions, and Overseas Exchange Systems. The new system provides the dates of visits, the name of the person making the visit, the person or firms represented by the visitor, the product lines, and the name of the person visited. The system also requires the visitor to present evidence of authority to represent particular persons or firms.

To encourage and facilitate reporting of fraud, waste, and abuse incidents, a toll-free HOTLINE established in 1980 for ConUS has continued. Subsequently, similar systems were implemented in Europe using existing military lines, and in the Pacific using a postage-paid letter form.

DEFENSE LOGISTICS AGENCY

During my three years as Director of the Defense Logistics Agency, I have placed special emphasis on improving our food procurement and supply efforts. I feel strongly that we in DLA have a unique commitment to provide our service men and women and their families with high quality, nutritional food at all times.

We have made meaningful steps toward improving our subsistence support system. In the last three years, we have moved gradually in subsistence as well as other commodities from the use of government specifications to less detailed commercial descriptions. We learned through test purchases that buying commercially generally does not adversely affect the basic quality of what we buy, and that more firms respond to our invitations to bid. We are progressively increasing our commercial buying. At the same time, we are moving prudently because we are aware that there are sound reasons for the existence of military specifications.

We are also progressing in our efforts to develop the Defense Integrated Subsistence Management System (DISMS).

The first improvements the Military Services will experience will be from the food distribution system (FDS) portion of DISMS, which will upgrade our internal procedures for processing requisitions and managing our inventory of fresh fruits and vegetables. Inventory management requirements for programming the full range of FDS functions have been drafted and will follow this initial application. To handle FDS, we have ordered new minicomputers for our Defense Subsistence Offices in the continental United States to replace keytape equipment. The prototype test site should be operational late this year.

Modification of our Standard Automated Material Management System (SAMMS) at the Defense Personnel Support Center is also progressing. All the system changes to accommodate subsistence requirements have been drafted. Our Defense Systems Automation Center will soon begin to review these requirements and develop programming estimates.

These system changes will improve internal DLA operations. Once implemented, customers in both dining facilities and commissaries will notice improved subsistence availability as a result of better inventory and financial controls. The vendor should benefit from an improved accounting system, leading to faster payments and better forecasting techniques for future DLA procurements.

Our ultimate objective in these and other food supply systems is to provide timely and responsive support to the Armed Forces. A key factor in providing such support will continue to be good communications with industry. Effective communications is vital if we are to assure that improvements in technology and management techniques are fully utilized and that problems, as they may arise, are swiftly dealt with and resolved.

DLA:

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Cameron Station
Alexandria, Va.

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Marine Corps Exchange sales totaled $328.2 million in 1980, an increase of 11.3 percent over 1979. Marine Corps exchange net profit was $20.4 million last year, about 6.2 percent of total sales. Net profits rose 9.6 percent over the preceeding year.

There are three primary reasons for the increase in sales. First, an active construction program exists that has provided new modern exchange facilities at Albany, Yuma, Twentynine Palms, and Quantico. Soon to be completed are new exchanges at Cherry Point and New River, N.C., and six branch exchanges around the Corps.

Secondly, Marine Corps Exchange merchandise is competitively priced as verified by the A.C. Nielsen study which reported that Marine Corps exchanges save their patrons an average of 24 percent compared to alternative sources for the same merchandise in the surrounding community.

Thirdly, the Marine Corps has been attempting to better match our merchandise offerings with the demands of the customer, a task we have met with varying degrees of success. We are increasingly referring to publications such as the Towne-Oller, the SAMI and the Maxwell Report, and the Navy-developed Master Stock Assortment to arrive at more balanced stock assortments of demanded items. Because of these initiatives and others, 1981 sales through March are up about 17 percent over the same period in 1980.

This year the Marine Corps Exchange System is embarking on a centrally guided training program to standardize systems and controls and to increase productivity. The Marine Corps has traditionally relied on the local Commander and exchange management to develop and administer the local exchange training programs with only minimum guidance from Headquarters; however, with the problems facing the exchange manager and his staff becoming more and more complex, it becomes obvious that we need to fine-tune management and operating skills at all levels.

In this regard, we are studying the feasibility and cost effectiveness of establishing a small training staff at Headquarters that would coordinate a Marine Corps-wide training program. It is expected that this training program would include:

- Standard minimum basic training program;
- Standard syllabus for each course of study in the basic training program;
- Development of a library of training films to include both commercially procured and locally producd presentations (primarily in the area of slide presentation and video cassette);
- Development of a complete library of training programs that are already being used by some local exchanges for distribution to all exchanges;
- Development of special training programs and providing on-site seminars and workshops;
- The management and funding for the development and on-site conduct of special training programs by experts from the commercial sector. Initial topics would include: food service, procurement and behavior modeling.

One of the reasons the Marine Corps exchange system has been able to maintain a strong financial posture is the continuous evaluation of key profit variables in each exchange. In this day of high interest rates, cash availability and control of inventory to sales ratio are foremost.

Much emphasis has been placed in controlling the bane of an exchange's existence, "fraud, waste and abuse." We have produced a security guide for exchanges, had an external study conducted to prioritize our security weaknesses in order of severity, established closer ties with our internal auditors and those of other services, and, finally, we are emphasizing improved employee screening techniques. The Marine Corps exchanges shortage last year dropped from .73 of one percent in 1979 to .70 of one percent in 1980, while the commercial averages went from 2.1 percent to 2.2 percent. (MM)

MARINE CORPS EXCHANGE 1980 TOTAL SALES

Exchange	1980 TOTAL SALES	% Increase OVER 1979
Camp Pendleton, CA	$60,011,628	9
Camp Lejeune, NC	48,983,395	3
El Toro, CA	41,569,434	13
San Diego, CA	31,491,629	13
Kaneohe Bay, HI	24,746,523	14
Quantico, VA	24,192,722	28
Parris Island, SC	18,986,664	9
Cherry Point, NC	17,051,434	3
Twentynine Palms, CA	14,282,012	20
Iwakuni, Japan	11,734,966	13
Henderson Hall, VA	11,558,806	9
Yuma, AZ	5,465,885	23
Albany, GA	4,898,071	13
Camp Elmore, VA	4,798,736	6
Rodman, Panama	3,686,872	23
Barstow, CA	2,413,028	11
Guantanamo Bay, Cuba	2,338,272	7
TOTAL	$328,210,077	11.3%

Marine Exchanges:

Address:
P.O. Box 1834
Quantico, Va. 22134

Telephone:
(703) 640-2916

V [illegible]

The Veterans Canteen Service (VCS) is a self-supporting, independent organization within the Veterans Administration that operates retail stores and provides food and other services at 172 VA medical and domiciliary centers in the United States. Canteen retail stores offer a wide range of items while giving a morale boost to the hospitalized veteran. Cafeteria services provide complete meals or snacks for patients' families, medical center employees, volunteers and visitors. VCS also has other services, such as barber and beauty shops, dry cleaning and laundry, magazines, photo developing, newspapers and flowers. Vending machines are available for quick snacks or for more complete meals when cafeteria services are closed.

VCS is financed via a revolving fund and is entirely self-sustaining. It pays all its expenses, including salaries, rent and utilities, etc. The founding father of VCS was the late General Omar Bradley, who as administrator of Veteran Affairs convinced President Harry S. Truman that America's veterans deserved better than the "hit or miss" concessionaires then available in VA hospitals. VCS now operates from a Washington, D.C.-based Central Office with five field offices (Atlanta, New York, St. Louis, San Francisco, and Washington, D.C.) and a consolidated finance center in St. Louis.

VCS procures its merchandise through negotiations made by buyers in the Central Office. Items sold in the canteens are limited to those of necessity and/or convenience to the patients. Price agreement lists are published by the VCS which set forth terms, cost and retail selling price for each item. These lists are sent to the canteens to allow them to order authorized merchandise. Food items are purchased through VA Supply Service from depots or local sources as dictated by supply and demand considerations.

Total sales for FY 1980 were $149,387,336. First quarter sales for 1981 were $44,214,910. Income from 1980 will be used by the VCS this fiscal year to pay for increased salary costs, planned canteen improvements and to offset the impact of inflation on inventories.

Inflation made 1980 a tough year. Even so, in keeping with its expressed desire to provide the best service at the lowest cost to the patient, VCS sold, and still sells, coffee at 15 cents a cup. Also, the retail department generally did not raise prices on merchandise on hand when cost increases were received.

As part of the 50th Anniversary celebration of the Veterans Administration, VCS rolled back food service prices to 1930 levels for three days. During that time, canteens sold 57,000 complete meals for 50 cents each and 800,000 cold or hot drinks for 5 cents each.

Back in the world of the 80's, VCS worked at improving its quality and service throughout the system. In the autumn of 1980, five week-long Food Workshops were put together. The first was held in January and the last this spring. All five field offices participated in these workshops and some 60 canteen chiefs attended. Further workshops will be conducted by the field offices rather than the VCS Central Offices. Eventually, two-day mini-workshops for food employees will be given in food preparation and service.

In the International Year of the Disabled Person, VCS is proud of its efforts to make canteens more accessible for wheelchair patients. In the food service areas counters have been lowered, tables designed so a wheelchair will fit and aisles widened. In three remodeled canteens, portable salad bars are already in operation. In the planning stage are custom-made sandwich sections where made-to-order deli or sub-type sandwiches will be available. The retail division has also concentrated on creating more practical arrangements for these wheelchairs — aisles have also been widened in the retail portion of many canteens.

Recently the retail division published a new "Retail Display Guide" featuring design layouts and photographs of the most up-to-date displays. Over the years, VCS has evolved from behind-the-counter clerk service to complete self-service. To assist canteen chiefs in providing the best possible customer service a series of Retail Display Clinics will be held this year.

The Finance Center, a consolidation in St. Louis of VCS financial control from the field offices to one location, was completed in 1980. This year, VCS will acquire a mini-computer, which will provide more timely and accurate financial data. There are plans for the computer to be used for retail inventory control at a later date.

On January 13, 1981, the Veterans Canteen Service received the Veterans Administration Administrator's Commendation. The citation read in part: "This certificate is awarded in recognition of (VCS's) exceptional performance and outstanding service to veteran patients, members, and their families, VA medical center employees, volunteers and visitors. Through their combined efforts and dedication, VCS employees have increased productivity, controlled inventories, improved customer service, and generated sufficient operating income to assure mission accomplishment and quality service."

As it enters the second year of the 1980's, VCS continues to be a viable organization — one with a clear mission and the will to fulfill it: To make life for the hospitalized veteran better and more in touch with the "real world" by providing services he or she could not obtain otherwise.

Veterans Canteen Service:

Address:
810 Vermont Ave., NW
Washington, D.C.
20240

Telephone:
(202) 376-8132

Two new developments will characterize NAVRESSO's operations in the future.

Rear Admiral (Select) Donald E. Wilson will assume command of the organization at the beginning of July, relieving Rear Admiral William Ryan, NAVRESSO's previous commander. Ryan will move to Washington D.C., to become Commander of the Defense Fuel Supply Center at Cameron Station. Wilson had been serving as executive assistant to the Deputy Chief for logistics of Navy Materiel, prior to his appointment at NAVRESSO.

The change of command corresponded in part with NAVRESSO's move from its old quarters in Brooklyn, N.Y., to new facilities at Ft. Wadsworth, Staten Island. The first contingency of NAVRESSO employees relocated to the new site in early spring. The balance of employees are slated to move to Ft. Wadsworth in late summer.

The Staten Island complex is comprised of 130,000 to 140,000 square feet, spreading over three buildings. It will contain more office space than the old 141,000 square foot Brooklyn site, since the warehousing area of the old building will not be required at the new site.

Although the headquarters relocation had helped fuel a move to unionize NAVRESSO employees, headquarters personnel turned down a proposal to unionize by a vote of 400 to 50 on May 12. According to regulations of the Federal Labor Relations Board, another vote to unionize cannot be held until a year has passed.

In terms of its exchange operations, NAVRESSO announced recently that FY '80 sales increased 10.3 percent over the previous year, reaching $1.4 billion. The figure includes both retail and service departments.

The fiscal year ending January 18, 1981 saw worldwide retail sales of $848.8 million, with services recording an additional $507.2 million. Retail sales in ConUS were $596.6 million and amounted to $252 million overseas.

Navy commissaries continue to work towards upgrading and improving the service they offer their patrons. A recent price comparison survey showed that customers at Navy commissaries are saving an overall average of 20.7 percent over commercial stores.

NAVRESSO's new ACS Inventory Control System has been established at five Navy ConUS regions. The ACS system is designed to keep precise and detailed stock and sales information for every product a store sells. The computerized system conducts weekly stock reviews and automatically re-orders to keep all merchandise in stock and maintain the appropriate reserve levels in warehouses. The regions in which the system has been implemented have reported significant declines in the NIS levels at their stores since the system was implemented.

The NAVRESSO general merchandise reset program has continued successfully, and all ConUS stores are expected to be reset by the end of 1981. Plans are afoot to designate a merchandising specialist for each of NAVRESSO's commissary regions.

Navy commissary produce departments have likewise been reset on a continuing basis, and special product merchandising workshops have been held in most regions. Sales of produce in Navy ConUS commissary stores rose to 6.4 percent of total sales in April 1981. The figure had been 5.6 percent in April of 1980.

Further improvements include work on a new Master Stock Assortment and a totally redesigned mandatory promotional program. In order to provide patrons with the products they want to see, a test of somewhat less than 50 budget-priced generic items has been instituted in the Norfolk region.

NAVRESSO celebrated its 35th anniversary in April. Since their beginning, the resale programs have made available more than $17.5 billion in merchandise and services at Navy exchanges; more than $1.8 billion in items provided in ships stores, and more than $7.9 billion worth of products from commissaries. It is estimated that Navy commissary customers saved more than $1.7 billion during the past 35 years. Navy exchanges and ships stores have contributed more than $971 million to recreation programs during the past 35 years.

(This report was prepared by the staff of MILITARY MARKET.)

NAVRESSO:

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(212) 965-5000

DEFENSE PERSONNEL SUPPORT CENTER

We have made considerable progress in some of the areas needed to improve our support to both our troop issue and commissary customers. One major change to our Direct Commissary Support System (DICOMSS) processing routines, put into effect about a year ago, has resulted in considerable improvement in meeting customers' required delivery dates. It involves automatic rejection of vendor deliveries at Mechanicsburg and Tracy when they do not meet NLT dates specified by the contract. This provision has had a markedly beneficial effect on overseas on-time delivery effectiveness. We will continue to explore with our customers and suppliers other changes that have the potential to further improve support to DICOMSS customers.

Our storage improvement program is moving along, generally on schedule. In the cold storage area, completion of a new freeze room at Kaiserslautern, Germany, in July 1981, will add 25 percent more space and help assure greater stock availability. Installation of pallet racks, in late 1981, will foster utilization of palletized shipments from ConUS and thus improve our through-put capability. Van turn around time will also be enhanced, cutting down on detention charges. Addition of dock levelers in the spring of 1982, erection of a new chill room and expansion of the existing hardstand in 1983 will complete the program. Beside the obvious impact on efficiency of operations, a significant overall but gradual decrease in labor costs is anticipated. In the dry storage area, acquisition of dock levelers and special lift trucks during 1982, at Germersheim, will improve the efficiency of operations there.

DPSC:

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Telephone:
(215) 952-2000

While our total Management Information System should be vastly improved upon full implementation of the DISMS system (Defense Integrated Subsistence Management System) in the years ahead, we have not remained at status quo. Recent completion of several important components now guarantees availability of more detailed supply management data. This has given our inventory managers a better opportunity to more accurately forecast customers' needs and stock our warehouses accordingly.

The total DISMS Project is in its initial stages. Our staffing is nearly completed and many systems actions are well underway. Upon completion, the Subsistence commodity will be in closer conformance with the standard mechanized logistics management system used by other ICPs and will have improved supply, procurement and financial management controls.

The problem of van availability we anticipated at this time last year did not fully materialize due to separate pricing of small/large containers by the water carrier industry. However, as a precautionary measure, we recently implemented stop-off procedures (on a test basis) in Europe, based upon customer requirements. As a result, we now are better equipped to cope with shortages of small vans should they occur.

Our Acquisition and Distribution of Commercial Products (ADCoP) program, inaugurated in 1978, was designed to "take advantage of the innovations and efficiencies of the commercial market place." More specifically, the intent is to use commercial products and distribution channels when they will meet our needs.

Since the program's inception, and an initial pilot test involving eight (8) items used in military dining halls, we have advanced to the point where 40 different commercial-type items are being procured, instead of their specification-type counterparts. In 1980, over $15.3 million was expended in the program; through second quarter of FY 81 our procurements total $13.0 million, appreciably ahead of the comparable period in FY 1980.

The program has not been without its stresses and strains. Notably affected have been those small businesses whose prime outlet has been government sales, and who therefore could not meet the minimum criterion that 55 percent of production must be targeted for commercial usage. A grandfather clause has given the majority of these firms the opportunity to continue to supply their products against our requirements.

Some of the items bought under the program are: bean sprouts, maraschino cherries, peanut butter, cereals, hot sauce, salad dressing, evaporated milk, baking soda, pies, donuts, cake, vinegar, salt, black pepper, mustard, sugar and apple butter.

While the benefits of the program to date include noteworthy savings in acquisition costs from some items and decreased inventories, the prime fallout from the program appears to be lessened administrative costs and a broadened competitive base for these items.

In summary then, while some challenges have been met, our continuing goals of better product availability, realistic pricing and improved communications with our customers will still require, and will receive our best efforts here at DPSC.

TROOP SUPPORT AGENCY

In serving the most deserving, the U.S. Army Troop Support Agency initiated several new programs that help employees as well as commissary customers.

Sales in the Army Commissary System reached $1.3 billion for fiscal year 1980. During the first half of fiscal year 1981 sales for the 142 commissaries and 33 annexes were $705.9 million, which is 10.5 percent more than the $638.9 million in sales for the same period last year. This represents an actual increase of 2.7 percent after adjusting for inflation.

Surcharge funds collected in FY 1980 amounted to more than $51 million. Approximately $15 million of the four percent surcharge paid by customers is reserved for major commissary construction projects annually. This program includes 21 projects for new commissaries and 13 alteration or addition projects.

Substantial progress has been made in building new commissaries or improving existing ones. Forts Huachuca, Ariz.; Bliss, Texas; Stewart and Gordon, Ga.; Lee, Va., and Ft. McClellan and Redstone Arsenal, Ala., have new commissaries. A new commissary at Ft. Belvoir, Va., is scheduled for completion this year and a major alteration/improvement project at Ft. Gillem, Ga., is scheduled for completion in 1982.

Overseas, major alteration and improvements have been completed at Aschaffenburg, West Germany, and Ft. Greely, Alaska, while others at Heidelberg, Heilbronn and Schweinfurt, West Germany, and Taegu, Korea are scheduled to be completed this year.

Construction contracts are expected to be awarded in 1981 for commissary projects at Forts Buchanan, Puerto Rico; Lewis, Wash.; Benjamin Harrison, Ind.; Leavenworth, Kan., and Kitzingen, West Germany.

Army-funded military construction commissary projects were completed at Bremerhaven and Fulda, West Germany, and Camp Zama, Japan.

A three-year surcharge-funded commissary minor construction improvement program has been developed for projects costing no more than $300,000. In FY 81 this program amounts to approximately $3.3 million. Priority is given to the projects that will conserve energy, reduce operating costs, improve productivity, safety, sanitation, security or provide other benefits to customers and employees.

Closed circuit television is a valuable tool in assisting commissary officers in preventing pilferage and is an effective method for teaching employees and increasing productivity.

Future plans call for installation of CCTV in commissaries at Forts Knox and Campbell, Ky.; Jackson, S.C.; Benning, Stewart, McPherson and Gordon, Ga.; Lee, Belvoir and Eustis, Va.; Rucker and McClellan, Ala.; Hamilton, N.Y.; Devens, Mass.; Meade, Md.; Hood and Sam Houston, Texas; Lewis, Wash.; Leonard Wood, Mo.; Polk, La.; Leavenworth, Kan.; Huachuca, Ariz.; Richardson, Alaska; Ord, Calif.; Redstone Arsenal, Ala.; Granite City, Ill.; Schofield Barracks, Hawaii; Yongsan, Korea, and Frankfurt, West Germany.

In keeping with its goal of providing quality products at the lowest practicable costs, generic products such as cigarettes, dishwashing liquid, apple juice, spaghetti sauces, and canned fruits and vegetables are stocked in commissaries based on customer demand. Ethnic hair care items such as hair colorings, shampoos, skin creams, hair conditioners, and body lotions are stocked in some commissaries on a trial basis to determine customer acceptance.

In accordance with Office of Management and Budget guidelines an in-depth study of all Army commissaries in the United States will be conducted by the end of 1985 to examine the cost effectiveness of possible conversion to contract as part of the Army's Commercial and Industrial-Type Activities Program. The first commissaries selected for study are Ft. Leonard Wood and Yuma Proving Ground, Ariz.

Two significant changes occurred in fund management during 1980. Regionalization of civilian pay for commissary employees was completed in October. This procedure has improved fund administration, eliminated inconsistencies in reporting and has placed the payroll responsibility at the finance and accounting office that supports the regional office.

Also, TSA became a separate General Operating Agency and Accounts Office (numerical designation 26). The Agency receives allocations directly from Headquarters, Department of the Army and subdivides the funds within its headquarters and each commissary region. Advantages include more effective administrative control over financial resources, closer inspection to ensure proper handling and recording of funds and expenditures and more timely responses to regions in providing

USATSA:

[illegible]

funds and making transfers to assure full use.

The Office of Personnel Management authorized TSA to recruit, examine and certify eligible candidates for commissary management vacancies. The Agency can hire personnel from outside the government without requiring candidates to apply through OPM. The new system will help ease personnel shortages by providing flexibility in recruiting, more expeditious filling of vacancies and a wider range of candidates for worldwide managerial positions.

In October, TSA will have an Inspector General Office whose inspectors, military and civilian, will conduct inspections and spot potential problem areas to help protect the government's interests and at the same time improve overall service to commissary customers.

The Automated System for Army Commissaries, a fully integrated automated inventory control and accountability system, provides operational and management support to the resale stores and to the regional offices. Improvements have been made through the broadcast of twice yearly Systems Change Packages. Emphasis is now on enhancing the system to take advantage of a store-to-region data entry telecommunications system, ACCESS.

The Army Commissary Computer Entry Store System is being tested at the Southeast Commissary Regional Office and four commissaries: Ft. Lee, and Defense General Supply Center, Va.; Redstone Arsenal, Ala., and Ft. Bragg, N.C. ACCESS is a minicomputer system that will improve management information capability by providing more responsive data processing capability. Telecommunications links between the stores and the commissary regional offices will speed up data transmission and retrieval and eliminate the use of outmoded punched cards for data input/output operations. ACCESS is designed to complement ASAC without replacing any of its current functions. It is expected that ACCESS will be fully operational throughout the Army Commissary System by April 1982.

A pilot Electronic Point of Sales Scanning System is scheduled to begin at the Ft. Lee commissary in July. Test results will determine the future of scanning in Army commissaries.

COAST GUARD RESALE SYSTEM

The objectives of the Coast Guard Non-Appropriated Fund Activities are to provide service to our Coast Guard personnel and to financially support our Special Services program. To best meet these objectives the Coast Guard NAFA system uses a decentralized management concept which provides unit commanding officers the flexibility and incentive to maximize these objectives.

During this past year the Headquarters NAFA staff has developed programs for the field in such areas as accounting, capital improvement, personnel management and financial analysis. We will continue in the year ahead to provide centralized guidance and assistance in those areas which enable the Coast Guard to better achieve its NAF objectives. Present initiatives include the development of a cash management system, a Coast Guard sponsored management training program, and an improved financial analysis feedback system.

I am proud of the Coast Guard NAFA system and the dedicated personnel within the Coast Guard who make it work so well. I look forward to being involved in this challenging and exciting program in the months ahead.

Coast Guard Resale:

Address:
Commandant
G-FER1/TP51
2100 Second St., SW
Washington, D.C. 20593

Telephone:
(202) 755-4154

The Air Force Commissary Service continues to improve patron service and facilities while looking for new ways to reduce operating costs.

Under the leadership of Maj. Gen. Charles E. Woods, approximately 10,000 civilians and 685 military people operate 140 commissaries and 114 troop issue facilities around the world. AFCOMS primarily supports the troop issue and subsistence program. It also seeks to provide authorized patrons with food and household items at the lowest possible cost.

AFCOMS has five elements: a board of directors (BoD), headquarters, regions, complexes and the commissary stores. The BoD, responsible to the Air Force Chief of Staff, is comprised of senior Air Force officers and the Chief Master Sergeant of the Air Force. They provide direction to the AFCOMS Commander for commissary operations and approve basic policies, plans and programs.

In fiscal year 1980, AFCOMS total sales were more than $1.7 billion. This continues to reflect a two percent real growth above inflation. Indications are that as inflation spirals, more and more people shop regularly at their commissaries.

Patron savings continue to be a dominant theme in AFCOMS policies. Combining anniversary sales, mandatory stocking, Best Buy and Smart Owl programs, AFCOMS has helped save patrons millions of dollars.

As sales continue to grow, AFCOMS searches for new ways to improve customer service. Data automation, electronic cash registers and electronic scales are a few of the proven technologies currently in use.

The AFCOMS Construction Program currently exceeds $305 million through fiscal year 1985. New or renovated stores have better lighting, greater energy efficiency, wider aisles, better traffic flow and better heating and refrigeration systems. Some of the facilities include bakeries and delicatessens. New stores also feature aesthetically pleasing design and spacious parking.

AFCOMS has stepped up its Patron Education Program. Several methods have been initiated to help "get the word out" to AFCOMS shoppers. These include the research, production and distribution of fact sheets on how to shop in the commissary, how to become involved in item selection for the commissary and whom to see if help is needed. The fact sheets are distributed to customers at the base level by local commissary people and placed in specially prepared racks with a large, colorful, distinctive "Smart Owl" sticker affixed.

AFCOMS spokespeople at all management levels are actively pursuing a grass roots campaign to let patrons know what to expect of commissary shopping. Emphasis is placed on saving money by shopping smarter, how to know what cuts of meat to buy and how to properly buy and cook fresh produce, shopping on slow days instead of during peak periods, using food stamps and coupons and other money and time saving ideas. This increased visibility has benefitted customers and store people alike.

Coupon and food stamp redemptions in commissaries are growing. During fiscal year 1980 over 39 million vendor coupons were processed by AFCOMS. That's ten million more than in 1979. More than $8.3 million in food stamps was spent in Air Force commissaries in fiscal year 1980.

In the all-important area of human resources, AFCOMS' Commissary Career Program continues to thrive. The program offers promotion opportunities to employees at all grade levels. AFCOMS people who want to work for grade increases have definitively outlined procedures allowing them access to lateral and upward movement in the field. Not only does the Commissary Career Program encourage competition and the best from each individual, it also provides a steady source of up and coming potential managers and gives them the ways and means to learn the business "inside-out." Ⓜ

AFCOMS:

Address:
Headquarters,
Air Force
Commissary Service
Bldg. 3030, Kelly AFB,
Texas 78241

Telephone:
(512) [illegible]

MARINE CORPS COMMISSARIES

The success of the West Coast Commissary Complex, which has been in full operation now for over a year, and the benefits that have emerged through central distribution will enable the complex personnel to continue refining and improving operational capabilities during the remainder of FY81 and beyond. The primary objective of improved customer service is being attained and is evidenced by increased item assortment, modern merchandising techniques and lower prices to the customer. Management standards are also being attained in the areas of inventory management, manpower utilization and distribution service levels. At present, a program is being instituted whereby the complex will provide limited support to the Army commissary store at Ft. Irwin.

Since the West Coast experience has demonstrated such favorable results of using modern management practices, plans are under way to apply system techniques during FY82-83 to our stores located on the East Coast. A management and distribution center has been proposed for installation at MCB, Camp Lejeune, as on the West Coast, enabling the local stores to derive the benefits of centralized procurement, financial management and inventory control.

While further employing the concept of centralized management and distribution, the Marine Corps is equally enthusiastic about the opening of three new store facilities — MCRD, Parris Island, in September of this year; and MCAS, Cherry Point, and MCLB, Albany, in March and July 1982, respectively. Funding for these projects has been provided and construction of the facilities is in progress. The renovations of the meat department and cooling system at the MCB, Camp Lejeune, Tarawa Terrace Annex store are complete; and the main store improvement project has begun with an estimated completion date of July 1981. Architect and engineering designs are being developed for a new facility at MCAS, Iwakuni, and for renovations at MCAS, Kaneohe Bay. The combined efforts of system automation and store improvement projects will continue to play an important part in providing desirable service and lower prices to our commissary customers.

The attached table represents commissary store final sales data for FY80 and a projected outlook for FY81. Sales figures for both the first and second quarters of FY81 are also provided.

Throughout our existence, the Marine Corps has striven to provide commissary support to the military patron in the form of improved customer service, and we are confident that our plans for the future will further enhance the Marine Corps commissary store mission.

(MM)

Fiscal Year 1980	**Cost of Sales**	**Retail Sales**
ConUS	$98,056,958	$103,039,598
Overseas	9,953,013	10,525,846
Total	108,009,971	113,565,444
Fiscal Year 1981 Projected		
ConUS	106,209,700	$111,742,400
Overseas	10,890,300	11,457,600
Total	117,100,000	123,200,000
Fiscal Year 1981 1st Quarter (Final)		
ConUS	$27,292,760	$28,974,430
Overseas	2,740,784	2,908,461
Total	30,033,544	$31,882,891
Fiscal Year 1981 2nd Quarter (Final)		
ConUS	$26,771,123	$28,052,089
Overseas	2,698,662	2,851,973
Total	$29,469,785	$30,904,062

O'seas figures include MCAS, Kaneohe Bay, Hawaii, and MCAS, Iwakuni, Japan.)

Marine Commissaries:

Address:
Headquarters, Marine
Corps Installations
& Logistics Dept. (LPS-1)
Washington, D.C.
0380

Telephone:
(202) [illegible]

EXCHANGES UNDER FIRE

Patrons have a love-hate relationship with their exchanges, a recent survey found; they like the shopping benefit but see it being eroded.

THE READER SURVEY on "How Do You Rate Your Exchange," which was published in late February in *Army, Navy* and *Air Force Times*, elicited responses from more than 5,000 readers and additional comments from approximately nine hundred. The tabulated survey results can be found beginning on the opposite page; they indicate that survey respondents have ambivalent feelings about their exchanges. While overall patrons like the quality of products found in exchanges, the stores in which they shop as well as merchandise display and customer service, they are less content about product selection and would, in the majority, trade their exchange privileges for an equivalent boost in pay.

The letters many respondents sent in, taken together with the survey tabulations, provide more specific information on the reasons for patron dissatisfaction. Most comments, as can be expected, were critical; they often contained pages-long descriptions on how a given exchange had failed to serve a customer. Although the range of subjects covered by these letters was wide, there was a common tenor; as one Air Force officer wrote, "The basic problem is failure to fulfill customer expectations."

According to the letters, exchanges fail in pricing. "The thing I resent most is that the lower paid enlisted men's families are conditioned to think that they will walk out of an exchange with the best buy in town, no matter what. This simply is not true," one letter read. An Army enlisted man added a pointed question. "I have never been able to understand how the exchange prices are above local civilian department stores when the exchange system has equal or better purchasing power . . . plus no overhead expenses . . . Perhaps you can explain that."

Exchanges also fail customers' expectations in terms of selection and quality of merchandise, responses showed. "Most exchanges do not carry a full enough selection of anything to be truly appealing," an Air Force enlisted man wrote. A Navy NCO added, "Perhaps it is time [for exchanges] to remember that the active duty Navy member is the entire reason for [their] existence and begin to put more emphasis on the items that are necessary for those active personnel."

Letters also indicated that selections are too much oriented toward luxury items and not enough toward day-to-day items, leading one Marine Corps wife to call her exchange "a glorified gift shop." And the tales of frayed seams, loose buttons, defective appliances and otherwise shoddy quality were summed up by one Air Force major who wrote that "brand-name shopping at the BX is apparently no guarantee of quality . . . ." Many respondents also felt that buying low quality items that need to be replaced frequently makes no economic sense. "I am too poor to afford cheap stuff," a Navy officer wrote.

Quality and style problems are especially pronounced in clothing departments, readers indicated. "It seems to me like the clothes the exchange puts on sale . . . came straight from the thrift shop or some unknown source as 90 percent of the time they are the most hideous looking colors, styles and sizes," an Army wife complained. A retired Air Force officer added, "I wouldn't be cremated in one of the suits, jackets or casual slacks they stock." Shoes did not fare much better. "Men's and women's shoes are the ugliest, most tacky styles I have ever seen. Where do they come from, the Salvation Army?" an Army wife asked.

Sizes seem to be a problem as well. "I would really like to see the army of XL gorillas our stores apparently think they are serving," an Army officer, unable to find clothes in his "average" size, wrote. One service wife felt that "exchanges should consider the fact that children and adults come in different sizes."

Particularly aggravating is also the problem of out-of-stock, many readers wrote. “Seventy percent of the time, the exchange is out of what I need,” a Navy officer wrote. This goes for everything from light bulbs to underwear.” One service wife had “been looking for cookie sheets since October 1980. And I am still looking.” A Marine Corps officer provided an often cited reason for such situations. “Our exchange seems to have a policy of not re-ordering until the items are completely out of the warehouse and the shelves are empty. Then you can wait a month or two for resupply.”

Readers also deplored the caliber of store personnel. “The knowledgeable salesperson and courteous manager are both endangered species at the BX,” an Army officer wrote. A Navy wife — currently in Okinawa (although such comments also came from ConUS) — added a commonly voiced complaint. “My biggest gripe is having sales people who don't understand English and barely speak it. In a store that is for American service people it seems we should have sales people who can help, not drive you crazy.”

Patrons were also perturbed about long check-out lines and store hours that do not cater to the schedules of active duty personnel and working dependents. “Almost every merchandise store is open seven days a week,” a Navy NCO wrote. “Why not our great benefits store?”

The “great benefits store,” as many letters indicated, has lost its appeal. “If it were not for the fact that we have nowhere else to go, I and many others would not even deal with AAFES,” an Army warrant officer wrote. “If the BX was in a competitive business, it would be out of business in six months,” an Air Force NCO predicted.

But many respondents, in spite of their criticisms, still felt that the performance of exchanges could improve and thus provide a much needed service. “Our exchange means much to us,” an Army wife wrote, “and I do hope that some of our suggestions can be implemented.”

—Susanne D. Williams

SURVEY RESULTS

1. Generally speaking, how would you rate the quality of merchandise sold in the exchanges?

1. Excellent — 18.6 percent
2. Good — 49.5 percent
3. Fair — 25.4 percent
4. Poor — 5.3 percent
5. Very Poor — 1.2 percent

2. How would you rate the selection of merchandise sold in the exchanges?

1. Excellent — 3.6 percent
2. Good — 20.7 percent
3. Fair — 41.4 percent
4. Poor — 26.1 percent
5. Very Poor — 8.2 percent

3. When you shop in your exchange, do you look for nationally known brand names of merchandise?

1. Always — 14.8 percent
2. Frequently — 34.5 percent
3. Sometimes — 35.6 percent
4. Seldom — 11.9 percent
5. Never — 3.2 percent

4. Would you like to see more brand-name products carried in the exchanges?

1. Yes — 58.1 percent
2. No — 29.4 percent
3. Don't know — 12.5 percent

5. Do you feel you get your money's worth at the exchanges — in other words, are you getting good value at a good price?

1. Yes — 48.7 percent
2. No — 45.8 percent
3. Don't know — 5.5 percent

6. Does your exchange stock enough ethnic products (for example, cosmetics for black women)?

1. Yes — 25.3 percent
2. No — 7.8 percent
3. Don't know — 66.9 percent

7. If not, what types of products would you like to see?

This question was answered only by a small percentage of those in the survey. The most common response, however, was that they wanted more Oriental products.

8. For those items carried in both the commissary and the exchange, would you say the exchange prices are:

1. Higher — 85.2 percent
2. Lower — 4.1 percent
3. Same — 5.4 percent
4. Don't know — 5.3 percent

9. Does the merchandise sold in your exchange keep pace with the latest trends, for example, in fashion, records and small appliances?

1. Yes — 46.4 percent
2. No — 42.9 percent
3. Don't know — 10.7 percent

10. How often is your exchange "out of" an item you want?

1. Always — 10.8 percent
2. Frequently — 56.1 percent
3. Sometimes — 27.4 percent
4. Seldom — 5.3 percent
5. Never — .4 percent

11. On the average, how do the prices in your exchange compare to those in local civilian stores for comparable items? Prices are:

1. Higher — 27.8 percent
2. Lower — 47.0 percent
3. Same — 23.2 percent
4. Don't know — 2.0 percent

12. If you think exchange prices are lower, how much do you think you save overall?

1. 0 to 10 percent — 58.3 percent
2. 11 to 20 percent — 36.1 percent
3. More than 20 percent — 5.6 percent

13. On what types of merchandise do you think you save the most money by shopping at the exchange?

The most frequent responses were: clothing, toiletries, cosmetics, small appliances, cigarettes or tobacco products, and audio/stereo equipment.

14. When your exchange has a major sale, do you think it is publicized far enough in advance?

1. Yes — 36.0 percent
2. No — 53.2 percent
3. Don't know — 10.8 percent

15. Do you think such sales last long enough?

1. Yes — 30.4 percent
2. No — 54.9 percent
3. Don't know — 14.7 percent

16. How frequently do you shop in an exchange run by another branch of the military service?

1. Always — 9.1 percent
2. Frequently — 22.0 percent
3. Sometimes — 24.1 percent
4. Seldom — 29.2 percent
5. Never — 15.6 percent

17. Is the merchandise in your exchange attractive to look at?

1. Yes — 76.1 percent
2. No — 19.9 percent
3. Don't know — 4.0 percent

18. Are items easy to find?

1. Yes — 69.3 percent
2. No — 29.5 percent
3. Don't know — 1.2 percent

19. Is it easy to tell the prices on merchandise?

1. Yes — 84.2 percent
2. No — 15.1 percent
3. Don't know — .7 percent

20. Are exchanges open at hours convenient to you?

1. Yes — 65.3 percent
2. No — 34.2 percent
3. Don't know — .5 percent

21. Are you satisfied with customer services available, such as check writing, refunds, acceptance of money-off coupons?

1. Yes — 78.0 percent
2. No — 18.4 percent
3. Don't know — 3.6 percent

22. Is enough parking available at your exchange?

1. Yes — 73.3 percent
2. No — 25.9 percent
3. Don't know — .8 percent

23. Do you think your exchange has enough people to work in it?

1. Yes — 65.0 percent
2. No — 29.2 percent
3. Don't know — 5.8 percent

24. Do you think exchange employees are well trained, with sufficient knowledge of the products they sell?

1. Yes — 30.5 percent
2. No — 60.6 percent
3. Don't know — 8.9 percent

25. In general, do you find the exchanges pleasant places to shop?

1. Yes — 61.1 percent
2. No — 36.6 percent
3. Don't know — 2.3 percent

26. Would you trade your exchange privileges for an equivalent boost in pay?

1. Yes — 57.2 percent
2. No — 34.6 percent
3. Don't know — 8.2 percent

(Continued On Page 180)

SURVEY

27. Would you like to see a deferred payment plan (credit) offered in ConUS?
1. Yes — 45.2 percent
2. No — 44.8 percent
3. Don't know — 10.0 percent

28. Would you like to be able to use a credit card at the exchange?
1. Yes — 52.9 percent
2. No — 42.6 percent
3. Don't know — 4.5 percent

29. Have you heard or read about charges of some exchange officials taking bribes?
1. Yes — 74.3 percent
2. No — 22.3 percent
3. Don't know — 3.4 percent

30. Do you think bribe taking has had any effect on the prices of merchandise in the exchanges?
1. Prices are higher because of it — 49.2 percent
2. Prices are lower because of it — .3 percent
3. It has had no effect on prices — 7.8 percent
4. Don't know — 42.7 percent

31. Do you think bribe taking has had any effect on the quality of merchandise in the exchanges?
1. The quality of merchandise is better because of it — 1.7 percent
2. The quality of merchandise is worse because of it — 40.6 percent
3. It has had no effect on quality — 11.8 percent
4. Don't know — 45.9 percent

32. Do you think bribe taking has had an effect on the selection of merchandise in the exchanges?
1. The selection of merchandise is better because of it — .9 percent
2. The selection of merchandise is worse because of it — 46.3 percent
3. It has had no effect on the selection of merchandise — 7.5 percent
4. Don't know — 45.3 percent

The following questions are on where people buy a specific item — at the exchange or in a civilian store — and why.

33. Audio/phono equipment
1. Buys at exchange — 51.8 percent
Why?
1. Less expensive — 57.3 percent
2. Better quality — 13.8 percent
3. Better selection — 6.9 percent
4. Convenience — 22.0 percent

2. Buys at civilian store — 48.2 percent
Why?
1. Less expensive — 26.6 percent
2. Better quality — 18.5 percent
3. Better selection — 40.3 percent
4. Convenience — 14.6 percent

34. Children's clothing
1. Buys at exchange — 31.7 percent
Why?
1. Less expensive — 52.9 percent
2. Better quality — 16.8 percent
3. Better selection — 6.3 percent
4. Convenience — 24.0 percent

2. Buys at civilian store — 68.3 percent
Why?
1. Less expensive — 29.0 percent
2. Better quality — 18.1 percent
3. Better selection — 40.7 percent
4. Convenience — 12.2 percent

35. Men's clothing
1. Buys at exchange — 30.2 percent
Why?
1. Less expensive — 49.8 percent
2. Better quality — 17.9 percent
3. Better selection — 6.5 percent
4. Convenience — 25.8 percent

2. Buys at civilian store — 69.8 percent
Why?
1. Less expensive — 40.0 percent
2. Better quality — 39.4 percent
3. Better selection — .2 percent
4. Convenience — 20.4 percent

36. Women's clothing
1. Buys at exchange — 18.3 percent
Why?
1. Less expensive — 49.2 percent
2. Better quality — 16.9 percent
3. Better selection — 8.7 percent
4. Convenience — 25.2 percent

2. Buys at civilian store — 81.7 percent
Why?
1. Less expensive — 23.7 percent
2. Better quality — 21.8 percent
3. Better selection — 42.9 percent
4. Convenience — 11.6 percent

37. Cosmetics
1. Buys at exchange — 69.1 percent
Why?
1. Less expensive — 63.4 percent
2. Better quality — 7.5 percent
3. Better selection — 5.7 percent
4. Convenience — 23.4 percent

2. Buys at civilian store — 30.9 percent
Why?
1. Less expensive — 20.6 percent
2. Better quality — 18.6 percent
3. Better selection — 41.3 percent
4. Convenience — 19.5 percent

38. Jewelry
1. Buys at exchange — 50.7 percent
Why?
1. Less expensive — 62.6 percent
2. Better quality — 13.2 percent
3. Better selection — 5.1 percent
4. Convenience — 19.1 percent

2. Buys at civilian store — 49.3 percent
Why?
1. Less expensive — 18.0 percent
2. Better quality — 24.3 percent
3. Better selection — 46.7 percent
4. Convenience — 11 percent

39. Paint
1. Buys at exchange — 44.3 percent
Why?
1. Less expensive — 61.8 percent
2. Better quality — 9.0 percent
3. Better selection — 4.1 percent
4. Convenience — 25.1 percent

2. Buys at civilian store — 55.7 percent
Why?
1. Less expensive — 22.0 percent
2. Better quality — 18.0 percent
3. Better selection — 43.3 percent
4. Convenience — 16.7 percent

40. Photography
1. Buys at exchange — 73.1 percent
Why?
1. Less expensive — 64.4 percent
2. Better quality — 7.6 percent
3. Better selection — 4.6 percent
4. Convenience — 23.4 percent

2. Buys at civilian store — 26.9 percent
Why?
1. Less expensive — 32.8 percent
2. Better quality — 17.0 percent
3. Better selection — 30.1 percent
4. Convenience — 20.1 percent

41. Records, Tapes
1. Buys at exchange — 54.3 percent
Why?
1. Less expensive — 65.2 percent
2. Better quality — 5.6 percent
3. Better selection — 6.0 percent
4. Convenience — 23.2 percent

2. Buys at civilian store — 45.7 percent
Why?
1. Less expensive — 23.1 percent
2. Better quality — 12.0 percent
3. Better selection — 50.0 percent
4. Convenience — 14.9 percent

42. Shoes
1. Buys at exchange — 29.9 percent
Why?
1. Less expensive — 56.1 percent
2. Better quality — 16.7 percent
3. Better selection — 6.7 percent
4. Convenience — 20.5 percent

2. Buys at civilian store — 70.1 percent
Why?
1. Less expensive — 19.6 percent
2. Better quality — 22.5 percent
3. Better selection — 47.6 percent
4. Convenience — 10.3 percent

43. Small appliances
1. Buys at exchange — 66.4 percent
Why?
1. Less expensive — 63.4 percent
2. Better quality — 9.8 percent
3. Better selection — 5.4 percent
4. Convenience — 21.4 percent

2. Buys at civilian store — 33.6 percent
Why?
1. Less expensive — 33.6 percent
2. Better quality — 14.0 percent
3. Better selection — 40.3 percent
4. Convenience — 12.1 percent

44. Toys
1. Buys at exchange — 41.9 percent
Why?
1. Less expensive — 57.6 percent
2. Better quality — 8.6 percent
3. Better selection — 8.4 percent
4. Convenience — 25.4 percent

2. Buys at civilian store — 58.1 percent
Why?
1. Less expensive — 27.0 percent
2. Better quality — 14.1 percent
3. Better selection — 13.1 percent
4. Convenience — 13.1 percent

Bill Cosby says: "When you learn CPR, you're ready to save lives—anywhere."

American Red Cross

A Public Service of This Magazine & The Advertising Council

SIGHTING

By Donna J. O'Neal

RETAILERS REPORT that they can make three to four times the profit on Super 8 movie equipment sales as compared with 35mm equipment.

Yet many in the photography industry believe that the Super 8 movie market is dead. Interestingly enough, it is precisely this attitude that allows Super 8 sales to be so profitable. Because competition is lax, fierce price cutting, which characterizes the 35mm SLR business, is not prevalent in the Super 8 arena.

It has been documented through statistical reports such as the *Wolfman Report* and the *Popular Photography* annual survey that Super 8 equipment sales have been declining steadily in the last several years. Yet these items remain an important part of a photography department's earnings.

So how can retailers take advantage of Super 8 profitability, given the challenge of low sales? Three successful retailers discussed this question during a breakfast seminar at the 1981 Photo Marketing Association Show in Miami Beach this April. Their comments were particularly relevant to the military market, where, because of consumer demographics, Super 8 equipment should be quite popular. Here's a summation of their ideas:

PRODUCT INFORMATION — Bertt Corkran, buyer for Smitty's, in Phoenix, Ariz., noted that clerks tend to be particularly uninformed about Super 8 equipment. Corkran said, "Almost every good photography clerk can talk extensively about 35mm products, but few have any significant knowledge about movie equipment. For this reason a good sales representative is particularly important in the department to beef up clerks' product knowledge."

SANKYO recently introduced the XL-310, a top-of-the-line sound Super 8 movie camera. It has a 3X f/1.2, 10mm to 30mm power zoom lens with macro focusing capability, is fully automatic (aperture control), and has an earphone jack to monitor recording levels.

EUMIG's Super 8 sound projector, the S907, has manual and automatic recording level controls with VU meter, a 4-watt RMS amplifier and sound-on-sound recording.

Barry Stein, owner of Barry's Camera, in Dallas, said he goes a step further in developing clerks' understanding of movie equipment. "We force our sales people to get acquainted with the products through movie making contests we sponsor," Stein said. "In this way clerks get a better idea of the challenge involved in operating the equipment."

DEMOGRAPHICS — Movie equipment appeals to a very definite segment of the population — young couples who are beginning a family. This is good news for military exchanges, since the bulk of their customers fall into this category.

Ned Caloustian, buyer for Willoughby Camera Store, New York, N.Y., noted that, "Home movies are used to record family memories. So couples about to be married or expecting their first child are prime targets." Caloustian observed that many grandparents or parents-in-law purchase cameras for their children so that they can watch those movies as well.

Somewhat surprisingly, women account for the vast majority of movie equipment sales, according to Bertt Corkran. He said that statistics show that 72.6 percent of all Super 8 purchases are made by women. "Since women are such an important factor here, we slant a lot of our advertising and promotion toward them," Corkran said.

PROMOTION — Caloustian said that attractive price points are key to promotions, hence he believes that package deals of cameras and projectors may actually turn off customers. The price may be a little too steep. "Promote a $199 Super 8 sound camera to lure customers into the store," Caloustian said. "Once they're there you can first talk them into a higher priced camera, and then of course suggest the other items necessary such as the projector, screen and accessories.

Add-on sales are important, Caloustian told the audience. "Don't forget that filters are just as useful for movie equipment as for still cameras," he said. And by talking up various accessories, he explained, customers will be receptive to purchasing them when they buy the primary equipment or during follow-up visits to the photo counter.

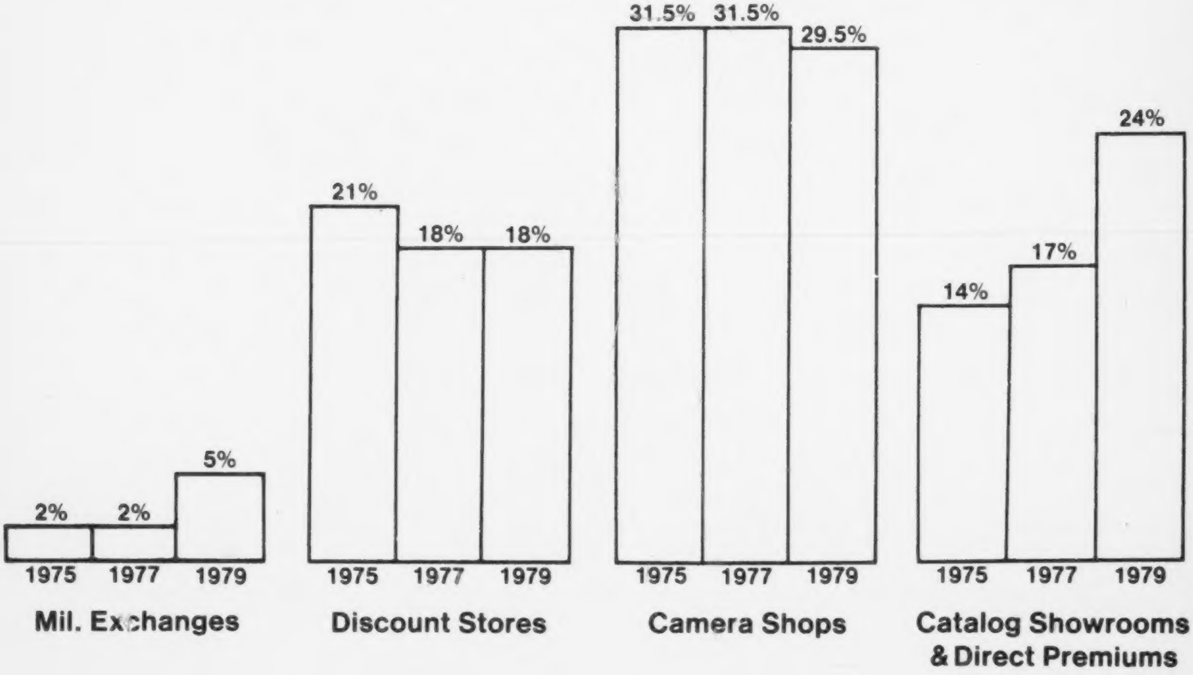
PRICE POINTS & PRODUCT MIX — The three retailers say that sound movie cameras outsell silent ones by a four-to-one ratio. A couple of dealers in the audience added that many customers who opt for a silent camera still purchase a sound projector because they intend to eventually trade up to a higher priced sound camera.

The popular price point for silent cameras is $99, for sound cameras it is $200-$300, for camera-projector packages it is $400, and for sound projectors it is $150.

VCR SCARE — There are some advantages Super 8 filming has over videocassette filming, the panel explained. "So don't let VCRs scare you out of the market," Caloustian said. Super 8 film lasts for many years while videocassettes begin to fade after about five years. Super 8 film can be edited, videocassettes can't be. And a 15-pound video recorder-camera outfit certainly isn't as convenient for outside shots as a lightweight Super 8 camera. "What we encourage our VCR owners to do is buy a Super 8 camera, make and edit movies, then have them printed on videocassettes," Caloustian said. "That way they have both — the master Super 8 film that lasts and a videocassette that they can watch on a TV screen.

"Remember," Corkran summed up, "you won't sell many Super 8 camera outfits simply by setting the products out on endcap displays. You've got to know your target market, have clerks who can explain the product benefits, and then promote, promote and promote some more."

Market Breakdown of Super 8 Camera Sales, 1975-1977*



Of the major retail outlets, only military exchanges and catalog show rooms-direct premium outlets realized increased Super 8 camera unit sales between 1975 and 1979. Most outlets experienced slight declines. The exchanges' increase is significant because, overall, exchanges account for only 1.5 percent of photographic equipment sales in the United States, according to the report. Exchanges also rung up five percent of 8mm cine projectors in 1979, the report says. This was up from zero percent in 1975 and three percent in 1977. The total retail value for Super 8 cameras in 1979 was $76.4 million for 475,000 units. Total 1979 retail value for cine projectors was $100.0 million for 425,000 units

*Selected Outlets

Source: *Popular Photography*'s U.S. Consumer Photographic Market and its Retail Distribution Channels — 1981

Military Market INDEX

COMMISSARIES

		MARCH CY '81	MARCH CY '80	MARCH % CHANGE	YEAR-TO-DATE CY '81	YEAR-TO-DATE CY '80	YEAR-TO-DATE % CHANGE
AIR FORCE	CONUS	$124,451	$112,518	+10.6	$374,434	$337,172	+11.0
	OVERSEAS	25,334	23,386	+8.3	77,020	68,368	+12.7
	TOTAL	149,785	135,904	+10.2	451,454	405,540	+11.3
ARMY	CONUS	92,456	85,800	+7.3	275,600	254,072	+8.5
	OVERSEAS	27,664	25,896	+6.8	83,512	76,856	+8.7
	TOTAL	120,120	111,696	+7.5	359,112	330,928	+8.5
NAVY	CONUS	45,395	45,426	-0.1	142,742	135,098	+5.7
	OVERSEAS	5,507	5,616	-1.9	17,246	16,196	+6.5
	TOTAL	50,907	51,042	-0.3	159,988	151,294	+5.8
MARINES	CONUS	10,949	10,199	+7.4	30,421	27,895	+9.1
	OVERSEAS	160	154	+3.9	483	429	+12.6
	TOTAL	11,109	10,353	+7.3	30,904	28,324	+9.1
COAST GUARD	CONUS	488	481	+1.5	1,487	1,340	+11.0
	OVERSEAS	224	128	+75.0	634	388	+63.4
	TOTAL	712	609	+16.9	2,121	1,728	+22.7
ALL COMMISSARIES	CONUS	273,739	254,424	+7.6	824,684	755,577	+9.2
	OVERSEAS	58,889	55,180	+6.7	178,895	162,237	+10.3
	TOTAL	$332,628	$309,604	+7.4	$1,003,579	$917,814	+9.3
GROCERY STORES	U.S.[1]	$17.373 bil.	$16.325 bil.	+6.4	$51.336 bil.	$47.389 bil.	+8.3

EXCHANGES

		MARCH CY '81	MARCH CY '80	MARCH % CHANGE	YEAR-TO-DATE CY '81	YEAR-TO-DATE CY '80	YEAR-TO-DATE % CHANGE
AAFES	CONUS	$196,779	$171,193	+15.0	$543,168	$469,957	+15.6
	OVERSEAS	135,841	131,193	+3.5	388,267	364,580	+6.5
	TOTAL	332,620	302,386	+10.0	931,435	834,537	+11.6
NAVY	CONUS[2]	84,923	77,248	+9.9	219,092	203,859	+7.5
	OVERSEAS[2]	30,962	29,930	+3.4	82,833	79,495	+4.2
	TOTAL[2]	115,885	107,178	+8.1	301,925	283,354	+6.6
MARINES	CONUS	25,661	22,750	+12.8	69,213	60,754	+13.9
	OVERSEAS	3,830	3,490	+9.7	10,861	9,538	+13.9
	TOTAL	29,491	26,240	+12.4	80,074	70,292	+13.9
COAST GUARD	CONUS[3]	5,884	4,584	+28.4	16,182	12,803	+26.4
	OVERSEAS[3]	656	578	+13.5	1,806	1,615	+11.8
	TOTAL[3]	6,540	5,162	+26.7	17,988	14,418	+24.8
MAIL ORDER	CONUS[4]	761	701	+8.6	2,365	2,123	+11.4
	OVERSEAS[4]	2,984	4,221	-29.3	8,776	10,881	-19.4
	TOTAL[4]	3,745	4,922	-23.9	11,141	13,004	-14.3
ALL EXCHANGES	CONUS	314,008	276,476	+13.6	850,020	749,496	+13.4
	OVERSEAS	174,273	169,412	+2.9	492,543	466,109	+5.7
	TOTAL	$488,281	$445,888	+9.5	$1,342,563	$1,215,605	+10.4
DEPARTMENT STORES	U.S.[1]	$7.346 bil.	$6.723 bil.	+9.3	$19.002 bil.	$17.704 bil.	+7.3

[illegible]

[1] [illegible]

[2] [illegible]

[3] [illegible]

[4] [illegible]

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Military Market

MAGAZINE FOR THE MILITARY RETAIL SYSTEM · ARMY TIMES PUBLISHING COMPANY · AUGUST 1981 $1.00

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WHAT'S THE LATEST
IN AUDIO?
VIDEO

Military Market — MAGAZINE FOR THE MILITARY RETAIL SYSTEM — AUGUST 1981
ARMY TIMES PUBLISHING COMPANY VOLUME 32, NO. 8

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Bic supports its disposable razor market with a $10 million ad and promotion campaign featuring ten well-known sports figures. According to the company, dispoables account for about 35 percent of all blade sales.

Nothing To Sneeze At

By Susanne D. Williams

H&BA sales benefit from the ongoing health, beauty and fitness fad. While vitamins, otc drugs and toiletries enjoy increasing costumer popularity, new product introductions widen an already sizeable assortment.

THE CLEANING and grooming of America continues as H&BA sales post healthy gains.

Increased ad spending on the part of H&BA manufacturers, greater public emphasis on health, and beauty care and new product introductions are helping to strengthen an already solid category.

While supermarkets have become the favorite civilian retail outlet for everything from toothpaste to vitamins, exchanges are still the primary place for military customers to shop for H&BA products.

In 1980, for example, worldwide exchange sales for all H&BA categories were close to $295 million, almost three times as much as the $109 million commissaries took in during the same time period. The 1979 picture shows a similar ratio: $265 million generated in exchange sales versus 100 million through commissaries.

Military shoppers know that they can save money by buying H&BA products in military stores. According to the results of a survey conducted by the *Army Times Publishing Company*, cosmetics were listed as the Number Two products — after camera items — which approximately 70 percent of the survey respondents prefer to buy in exchanges rather than in civilian stores. Of these shoppers, 63 percent said that they do so because products are less expensive than on the outside.

A great number of survey participants also named toiletries and cosmetics as their first and second choice when they were asked on which items they saved the most money by shopping in exchanges.

While overall price savings to the customer are 20 percent, some civilian retailers manage to beat exchanges in price on a given H&BA product, one AAFES buyer told MILITARY MARKET. But the civilian practice of offering loss leaders is a practice the military systems are not allowed to copy.

Yet the things that help sell H&BA products in civilian markets also benefit exchanges and commissaries. For one, the media — editorially and through advertisement — tout the importance of cleanliness, beauty and wellness. According to one industry report, advertising dollars for over-the-counter drugs are higher than in almost any other business and sometimes reach well over 100 percent for new product introductions.

The Market Swells

In addition, many a new H&BA product has made a splashy debut within the last two years and contributed to a greater awareness of the product as well as that of the whole product category.

Skin medications with the ingredient hydrocortisone, promising relief from minor skin irritations, itching and rashes, are a typical example. Prior to 1979, hydrocortisone could be found only in prescription drugs; but in late 1979 a Food and Drug Administration advisory panel said that a 0.5 percent hydrocortisone content was a safe and effective level for otc drugs. In the wake of the recommendation, which still requires final FDA approval, a number of manufacturers have entered the market with otc hydrocortisone products.

Upjohn's "Cortaid" was the first to enter the scene, quickly

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followed by **Combe's** "Lanacort." In addition, a host of other manufacturers, including private label producers, have entered the hydrocortisone prep market, which industry experts believe could very well swell up to $90 to $100 million by the end of this year. AAFES exchanges are carrying the Upjohn product with good results after having tested the prep for almost a year in three different regions.

Meanwhile, Upjohn has also launched a new rectal itch ointment called "Cortef"; **Bristol Meyers** started new tests with a product called "Hemtrex," and **Abbott Laboratories** reportedly will spend more than $6 million to accompany the debut of its "Tronolane" hemorrhoidal relief product. These new or planned introductions will pose competition for **American Home Products'** "Preparation H," which industry leaders estimate to hold a 63 percent market share.

New product introductions also characterize the cold remedy category, Joyce Breihof, AAFES drug buyer, told MILITARY MARKET. Accounting for about 31 percent of all AAFES drug sales, cold remedy sales have increased in part as a result of the proliferation of capsules. "Many people didn't take tablets before," Breihof said — but capsules, providing the same relief without the bitter taste of tablets, give shoppers a new and welcome choice.

"Capsules have been around for many years," Breihof said, but only recently has the market been invaded by such a myriad of cold remedies, many of which used to be prescription only.

Breihof noted that AAFES' whole health aid category has practically tripled over the past three years and now comprises about 30 different products. AAFES drug and medication sales of $24.6 million in 1980 constitute an 18 percent increase over 1979 and the category is growing still.

Contributing to the increase of products as well as sales are the growing numbers of soft contact lens users. Currently, there are two different methods of cleaning these lenses — hot and cold — both requiring a number of different products, Breihof said. AAFES not only buys these, but also offers products necessary to clean hard contact lenses.

But it isn't just otc drugs that Americans, both military and civilian, buy in growing numbers. More concerned than ever with health-related issues and increasingly knowledgeable about them, they also turn to vitamins for better, healthier living.

CY 1979 SALES OF TOILETRIES AND DRUGS IN MILITARY EXCHANGES WORLDWIDE

PRODUCT CATEGORY	CY1979 $ SALES	PERCENT OF TOTAL
Oral Hygiene	$20,683,988	7.8
Haircare	$55,157,730	20.8
Shaving Supplies	$23,866,140	9.0
Bath Toiletries, Soaps, Deodorants	$20,418,808	7.7
Cosmetics and Fragrances	$64,968,935	24.5
Nail Care Accessories	$3,182,152	1.2
Sanitary Items	$6,099,124	2.3
Medicines, Vitamins, Foot Aids, Baby Supplies	$33,147,418	12.5
Sunglasses	$18,582,553	7.0
Toiletry, Gift and Dresser Sets	$19,092,482	7.2
Total Sales	$265,179,823	100

Sources: H&BA Department Sales Reports issued by the headquarters offices of each exchange system

NEW CREME MEDICATION
SKIN IRRITATIONS
DERMATITIS (irritation, inflammation)
ECZEMA (flaking, scaling, redness)
With the ingredient prescribed by doctors for millions
Now...without prescription
HYDROCORTISONE IN A SPECIAL SOOTHING CREME
LANACORT
LANACANE
LANACORT
LANACANE CREME
By the makers of
LANACORT

Hydrocortisone, the "wonder" medication of the decade, has been given the green light for otc sales. The result: A rash of new products such as Combe's "Lanacort."

"Customers are very sophisticated," AAFES buyer Dorothy Macon told MILITARY MARKET. "They read the labels." The trend is not limited to women only. "Men have become increasingly aware of health," Macon said.

While women, who generally buy products for the whole family, continue to buy multiple vitamins, men turn more toward alphabet vitamins. Current AAFES best-sellers are vitamins C and E — and some of them are "non-established brands," as Macon calls generic or private label products. AAFES has carried non-branded vitamins for a number of years and procures them through multiple source solicitation.

NAVRESSO just placed its first systemwide commissary contract for non-branded vitamins. The one year contract, allocated to two companies, has an estimated value of close to $1 million.

A Clean-Cut Case

While non-established brands continue their inroads into the otc and drug categories, other H&BA areas such as toothpastes, soaps, deodorants and shaving supplies are dominated by familiar brand names.

Procter and Gamble's "Crest" is still the number one selling toothpaste in exchanges, AAFES buyer Avis Coltrain said; its various sizes hold three of the top five best-selling positions in the military dentifrice market. The remaining two are **Colgate Palmolive's** "Colgate" and **Lever**

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Brothers' "Aim." In mouthwashes, **Warner Lambert's** "Listerine" holds the number one (six ounces) and number three (10 ounces) spots, with Procter and Gamble's "Scope" (18 ounces) being in second place.

In toothbrushes, **Oral B Co.**'s "Oral B" is the number one seller. The product, which has been on the market for a number of years, is considered a professional brush and recommended by dentists, Coltrain said. **Johnson and Johnsons'** "Reach" and Lever Brothers' "DX," the runners-up, are also popular, she added.

Military families have always been seen as particularly concerned with oral hygiene, Coltrain said. Yet nobody seems to be quite sure why that is so. Although service personnel enjoy free dental care, many dependents do not — a situation which precludes a causal relationship between greater access to dental care and higher awareness of its importance. But the fact remains that oral hygiene products are strong sellers in AAFES exchanges — last year to the tune of more than $11 million.

Even higher dollar sales — close to $14 million — characterize the soap and deodorant category. Again, brand names are strong, with Colgate-Palmolive's "Irish Spring" and P&G's "Coast" occupying the first and second spot respectively. Both brands score much lower on a national list of brand preferences and are, together with the next two AAFES soap leaders, deodorant soaps. According to Coltrain, it can be safely assumed that the difference between military and civilian preferences lies in the fact that primary users of deodorant soaps are men, who constitute the majority of eligible exchange patrons.

The military market, however, is similar to its civilian counterpart when it comes to the newest development in the $1.6 billion soap market — soft soap. "It's the fastest growing category," Coltrain said; and the three market leaders, Minnetonka's "Soft Soap," **Yardley of London's** "Yardley English Lavender" and "Work Soap," a recent introduction by the makers of "Soft Soap," hold the top three positions in both military and civilian sales.

H&BA SALES

NAVY EXCHANGES

FY '79	$32.1 mil.
FY '80	$36.0 mil.
FY '81 (est.)	$39.0 mil.

Top Three Categories:
- Health Care Remedies
- Hair Care
- Oral Hygiene

Fastest Growing Categories:
- Contact Lens Preps
- Diet Aids
- Health Care Remedies

NAVY COMMISSARIES

FY '79*	$21.0 mil.
FY '80*	$22.3 mil.

*Based on the presumption that H&BA departments account for five percent of total commissary sales.

Top Three Categories
- Oral Hygiene
- Hair Care
- Deodorants

Fastest Growing Categories:
- Vitamins
- First Aid
- Feminine Hygiene

*Source: NAVRESSO

AAFES recently added **Northern Laboratories'** "Liquid Shower Soap" to its stock assortment, a testimony to the popularity of the product category. Soft soaps are convenient to use, not messy and economical to boot, Coltrain said: According to industry tests, one container of soft soap equals three to five bars of soap. The consumer-catching properties of this product are expected to garner soft soap 20 to 25 percent of the whole soap market by the end of the year, although Coltrain doubts that soft soap will replace the traditional bar.

Other fast growing categories in the toiletry market are stick deodorants, disposable razors and "mass prestigious" brands in men's fragrances. Although aerosol deodorant sprays still capture the bulk of exchange sales, sticks are quite popular, especially with male customers. Nationwide, the stick/solid segment of the almost $900 million deodorant/antiperspirant market is expected to jump from 19.0 percent to 23.5 percent by the end of the year, according to a **Gillette** study. Its popularity is in stark contrast to that of pump sprays, the industry's answer to the ecological uproar over the atmosphere-damaging effects of fluorocarbon sprays.

Pump sprays have suffered both in the civilian and military marketplace, and AAFES dropped its last pump spray in 1980. "The consumers didn't accept them at all," Coltrain said. What they did accept were the hydrocarbon aerosol spray deodorants that now account for most AAFES deodorant sales and that manufacturers claim are safe for the environment. AAFES also carries cream deodorants, although they are a small category.

Overall, sales of shaving products, oral hygiene, soaps, deodorants and men's products continue their brisk pace. "All categories show growth," Coltrain said. "The consumers are better educated."

The better education, also noted in otc drugs and vitamins, will keep the H&BA category healthy and clean smelling. If there is a problem, it is one of too many product introductions forcing exchange buyers to constantly reevaluate current product listings. The emphasis on saving money leads to lowered inventories, one AAFES buyer told MILITARY MARKET, and before a new product can be accepted, an old one has to go. With new products entering the market every day, a choice between old and new can be difficult. It is, however, a choice that speaks well for the general popularity of H&BA products. (MM)

H&BA SALES FY 1980

	Worldwide	Domestic	Overseas
Commissaries	$109,741,515	$89,318,239	$20,423,276
Exchanges	$294,763,506	$201,813,266	$92,950,240

Source: Army Times Co. Research Dept.

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Coffee, Tea, and Cocoa

Hot Brews FLood The Market

By John A. de Ferrari

With the world producing 12.6 million more bags of coffee than it is consuming, producers are scrambling to make stodgy inventories move. Shoppers can expect great buys, while it lasts.

COFFEE PRICES are continuing to go down this year, but commissary shoppers will not be seeing this good luck continue indefinitely.

The cost of green coffee beans imported for roasting here in the U.S. has declined over the past several months and is now at a 5 ½ year low, according to a recent *Business Week* report. The reason for the continuing decline is simply a huge supply of raw coffee beans, significantly more than the world market can absorb. Both Brazil and African nations have been harvesting very large crops and are expected to do so for the near future.

A major reason for the oversupply is Brazilian coffee output. Brazil suffered a devastating frost in 1975 that sent coffee prices soaring. Growers reacted by planting new trees north of the frost-affected areas. Now the newer trees as well as the old ones are producing plentifully. The International Coffee Organization predicts that worldwide exportable coffee production will reach 66.6 million bags this year, although consumption hovers around 53-54 million bags annually.

The effect of all this will be a "continuing downward price effect" on retail coffee costs, a spokesman for the National Coffee Association of U.S.A., Inc., told MILITARY MARKET. "Coffee companies have excess inventories of coffee bought at higher prices that they must try to get rid of."

The last official retail price rollback was in December, 1980, but VPR's have been plentiful since then, and more cuts are expected soon.

Exactly how long coffee prices will continue to fall or how low the cost of a can of coffee will get is uncertain, but the price declines will not continue indefinitely, due to regulating actions by the International Coffee Organization (ICO).

The ICO, which is an international trade group made up of some 70 member countries, including the U.S., has instituted a quota program to try to control the amount of coffee on the world market and thus halt the downward spiral of green bean prices. On July 1 the ICO put into effect new cuts in quotas for the amount of coffee particular nations are allowed to sell on the world market. While the ICO's actions have been somewhat timid and ineffective, the new quota cuts are expected to help stabilize the market.

But the halt to falling prices will probably not be felt on the retail end until late 1981 or early 1982, industry sources say.

In early 1980 a group of Latin American producers joined together to take matters into their own hands. They formed a group called Pan Cafe, S.A., that functioned to try to keep coffee prices propped up by buying up excess supplies. Many countries complained about Pan Cafe's actions, however, and in October of 1980 the ICO dissolved the cartel and is currently in the process of dispersing its holdings. The ICO's quota system is intended to be a fairer and more carefully regulated method for controlling the amount of coffee on the world market.

High Yields Arrive

Dropping coffee prices have been heating up the already intensely competitive battle for market shares in the consumer market. Currently, **General Foods'** Maxwell House brand is the leader in terms of all coffee sales, barely nudging out **Procter & Gamble**'s Folger's.

In response to customer demand for a better coffee value, both General Foods and Procter and Gamble have come out with "high yield" ground coffees that offer more coffee per ounce of product than regular grinds. **Hills Bros.** had earlier introduced a High Yield coffee, and in 1978 **Nestle** came out with Sunrise, a high yield blend of coffee and chicory. General Foods' Master Blend has been available nationally since last year. It was quickly followed by Procter & Gamble's High Point decaffeinated entry. The two new products have been battling each other with heavy consumer advertising.

Meanwhile, consumption of coffee in America has continued to slip at a slow and steady rate, from a high of 3.12 cups per person per day in 1962 to 2.02 cups in 1980. Much of the slippage appears due to the fact that younger generations are not copying their parents' heavy coffee-drinking habits. Most drink fewer cups per day, and many don't drink coffee at all.

While the general trend is not very consoling to coffee producers, it could be much worse. Recently, something of a splash was made by a research project that found a link between coffee drinking and cancer of the pancreas. Though the research results received widespread attention at the time, a number of possible flaws were pointed out, and no definite conclusions were reached.

The research study was published in February, and the National Coffee Association reports that while it is impossible to attribute minor fluctuations in coffee consumption to any particular cause, it does not appear that any measurable change in consumption is occurring due to the study.

Red Zinger, Et Al.

If coffee consumption has been slackening off lately, tea drinking seems to be making up for it.

"Tea consumption continues to grow at a healthy rate," a **Thomas J. Lipton** source told MILITARY MARKET. Total tea consumption has been increasing at a fairly steady four percent per year, according to figures supplied by the Tea Council of U.S.A., Inc. Iced tea and tea bags have been the strong growers, while loose tea has gradually dropped off and sales of instant tea have flattened out somewhat since the mid 70's.

Flavored and specialty teas have been growing at a particularly rapid rate but do not represent a particularly large share of the market, according to the Lipton source. Volume movement of regular tea has been increasing as well, but not at the same rate. Lipton, which has been marketing lemon, orange, and mint-flavored teas for several years, is currently testing several herb teas as well.

Much of the growth of herbal teas is due to the success of a single company, **Celestial Seasonings, Inc.** The company began marketing herbal teas ten years ago and now sees its wide line of exotic concoctions — from Morning Thunder to Red Zinger — sitting on many grocery shelves. Several larger companies, including Lipton, are now beginning to move into Celestial's market.

The last really big boost teadrinking got was in the 1976-77 season when skyrocketting coffee costs converted many a coffee drinker to tea. And a number of those who switched never turned back to coffee.

Still, tea makers seems to have some trouble maintaining strong brand loyalty. In the June, 1981 MILITARY MARKET *Survey*, generic tea was called a best-selling item by commissary officers more often than any other generic product. A source at Lipton acknowledged that generic tea products are strong items. "They're a factor to be contended with," he admitted to MILITARY MARKET.

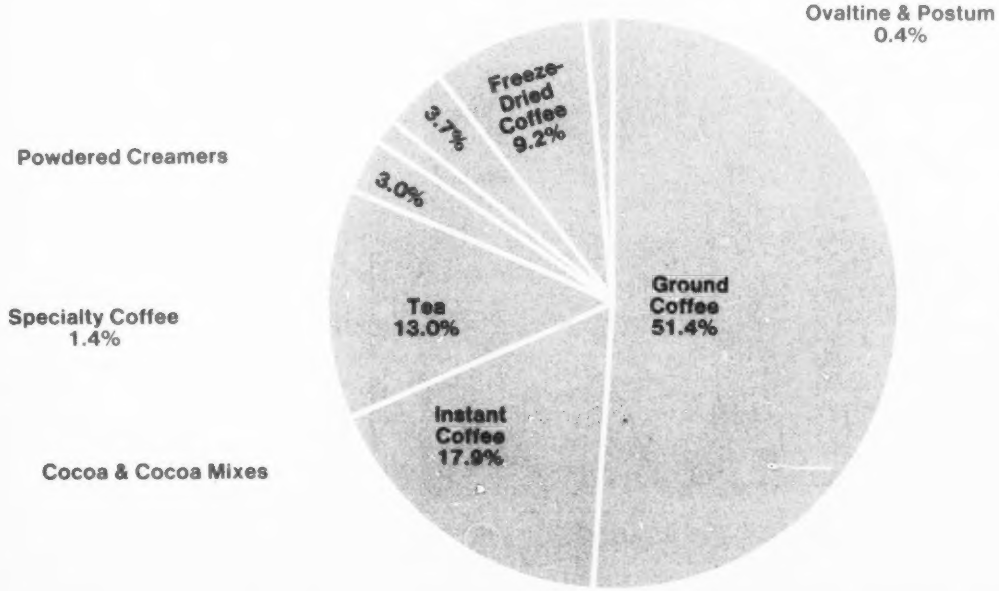
Through The Roof

Hot cocoa mixes and milk-added cocoa mixes continue to sell well, according to a source at Nestle, which is the leader in milk-added cocoa sales.

Cocoa mixes, which are mostly made up of cocoa and sugar, can be susceptible to wide price fluctuations due to the volatility of the world market for both raw cocoa and sugar.

Sugar prices have been "climbing through the roof," the Nestle source said, and this has forced price increases that can deter customers. Still, cocoa prices have been moderating due to a large oversupply situation on the world market, and this has brought some relief. Hence, Nestle reports that sales are continuing very strong. "This is not the type of business where fireworks go off," the Nestle source summed up, "but it's holding steady." (MM)

Coffee, Tea, And Cocoa Sales in Commissaries Worldwide, CY 1980: $137.2 Million



SOURCE: Research Department, Army Times Publishing Co.

Military Market INDEX

COMMISSARIES

		APRIL			YEAR-TO-DATE		
		CY'81	CY'80	% CHANGE	CY'81	CY'80	% CHANGE
AIR FORCE	CONUS	$131,930	$117,366	+12.4	$506,364	$454,538	+11.4
	OVERSEAS	27,086	24,060	+12.6	104,107	92,428	+12.6
	TOTAL	159,016	141,426	+12.4	610,471	546,966	+11.6
ARMY	CONUS	96,928	87,464	+10.8	372,528	341,536	+9.1
	OVERSEAS	29,848	27,456	+8.7	113,360	104,312	+8.7
	TOTAL	126,776	114,920	+10.3	485,888	445,848	+9.0
NAVY	CONUS	45,127	45,127	—	187,869	180,225	+4.2
	OVERSEAS	5,579	5,580	-0.1	22,825	21,776	+4.8
	TOTAL	50,706	50,707	-0.1	210,694	202,001	+4.3
MARINES	CONUS	10,321	9,422	+9.5	40,742	37,317	+9.2
	OVERSEAS	175	149	+17.4	658	578	+13.8
	TOTAL	10,496	9,571	+9.7	41,400	37,895	+9.2
COAST GUARD	CONUS	508	402	+26.4	1,995	1,742	+14.5
	OVERSEAS	202	151	+33.8	836	539	+55.1
	TOTAL	710	553	+28.4	2,831	2,281	+24.1
ALL COMMISSARIES	CONUS	284,814	259,781	+9.6	1,109,498	1,015,358	+10.1
	OVERSEAS	62,890	57,396	+9.6	241,786	219,633	+9.3
	TOTAL	$347,704	$317,177	+9.6	$1,351,284	$1,234,991	+9.4
GROCERY STORES	U.S.[1]	$17.817 bil.	$15.951 bil.	+11.7	$69.190 bil.	$63,340 bil.	+9.2

EXCHANGES

		APRIL			YEAR-TO-DATE		
		CY'81	CY'80	% CHANGE	CY'81	CY'80	% CHANGE
AAFES	CONUS	$209,299	$184,360	+13.5	$752,467	$654,317	+15.0
	OVERSEAS	146,923	132,706	+10.7	535,191	497,286	+7.6
	TOTAL	356,222	317,066	+12.4	1,287,658	1,151,603	+11.8
NAVY	CONUS[2]	91,346	82,553	+10.6	310,437	286,412	+8.4
	OVERSEAS[2]	33,151	30,397	+9.1	115,985	109,892	+5.5
	TOTAL[2]	124,497	112,950	+10.2	426,422	396,304	+7.6
MARINES	CONUS	26,364	22,146	+19.0	95,576	82,899	+15.3
	OVERSEAS	4,225	3,528	+19.8	15,086	13,066	+15.5
	TOTAL	30,589	25,674	+19.1	110,662	95,965	+15.3
COAST GUARD	CONUS[3]	6,074	4,452	+36.4	22,255	17,256	+29.0
	OVERSEAS[3]	677	562	+20.5	2,484	2,176	+14.2
	TOTAL[3]	6,751	5,014	+34.6	24,739	19,432	+27.3
MAIL ORDER	CONUS[4]	727	832	-12.6	3,092	2,955	+4.6
	OVERSEAS[4]	2,837	3,244	-12.6	11,614	14,125	-17.8
	TOTAL[4]	3,564	4,076	-12.6	14,706	17,080	-13.9
ALL EXCHANGES	CONUS	333,810	294,343	+13.4	1,183,827	1,043,839	+13.4
	OVERSEAS	187,813	170,437	+10.2	680,360	636,545	+6.9
	TOTAL	$521,623	$464,780	+12.2	$1,864,187	$1,680,384	+10.9
DEPARTMENT STORES	U.S.[1]	$8.087 bil.	$6.927 bil.	+16.8	$27.080 bil.	$24.631 bil.	+9.9

AAFES and Navy Exchange sales have been adjusted for 1980 to reflect the breakout of mail order sales.

Individual figures may not add to totals, due to rounding. All sales are expressed in millions (add 000), except for grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges and exchange sales include concession volume.

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[1] Source: U.S. Department of Commerce.

[2] Does not include sales of ship stores.

[3] MM estimate, based upon official data.

[4] Includes consolidated sales for all services, including Coast Guard. Data prior to July 1980 was extracted from respective AAFES and NAVRESSO mail order catalogs.

Military Market

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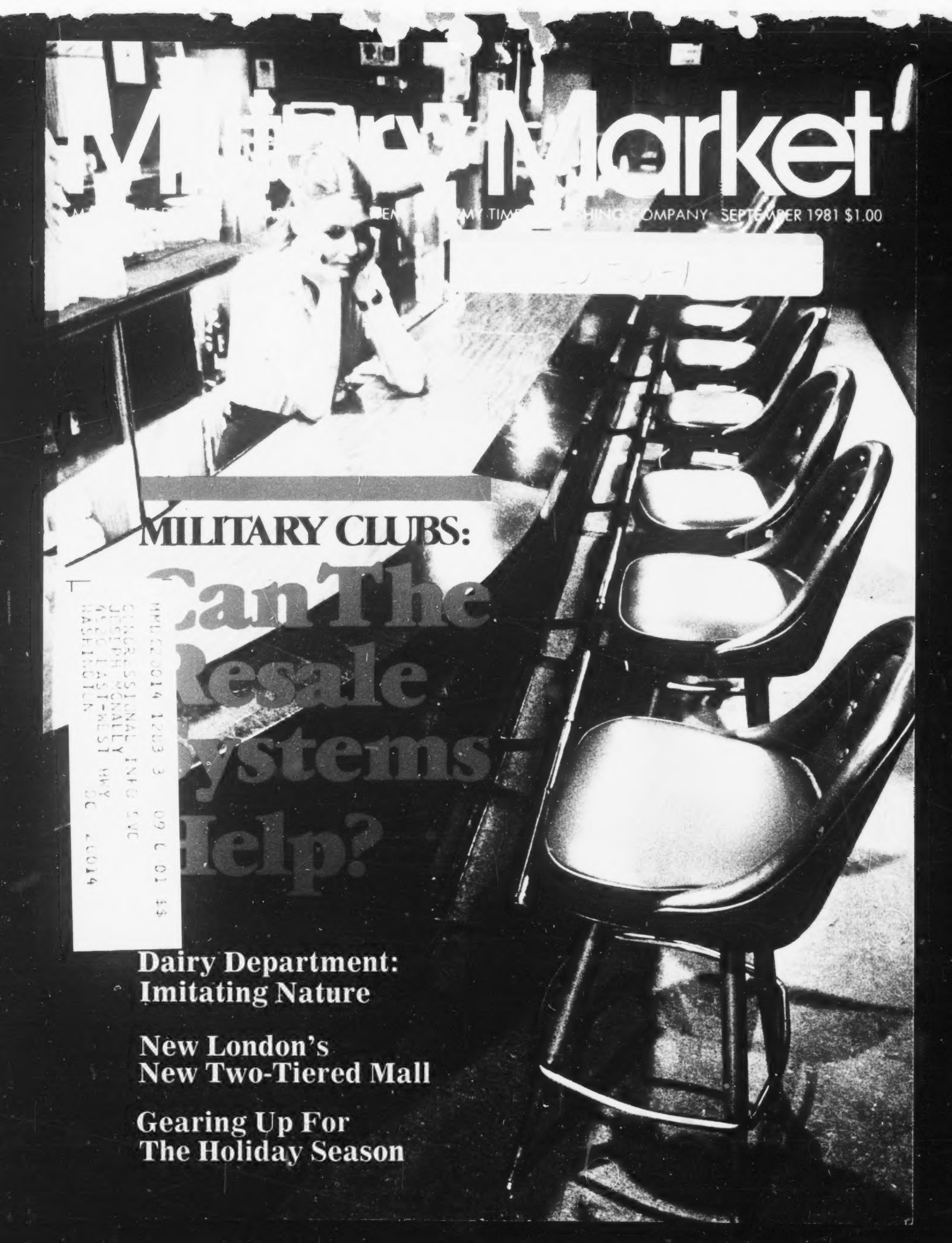

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MILITARY CLUBS: Can The Resale Systems Help?

Dairy Department: Imitating Nature

New London's New Two-Tiered Mall

Gearing Up For The Holiday Season

Military Market MAGAZINE FOR THE MILITARY RETAIL SYSTEM SEPTEMBER 1981
ARMY TIMES PUBLISHING COMPANY VOLUME 32, NO.9

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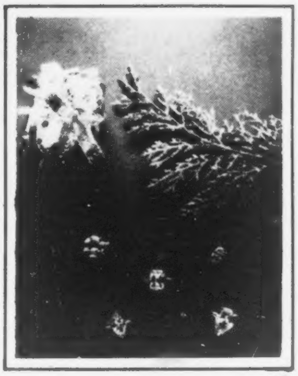

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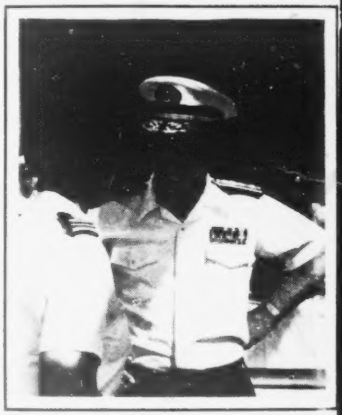

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THE LAND OF MILK AND MONEY

Dairy Mainstays Fight For Survival

by John A. de Ferrari

While dairy farmers continue to produce large quantities of milk and milk products, retail shoppers are buying less and less, as imitations begin to encroach on one of the commissary's largest departments.

WHOLE MILK. Eggs. Butter. Cheese. —All the old mainstays of the dairy department have had their trouble in recent years, either in terms of price, reputed healthfulness, or both. USDA reports show that yogurt and cheese are the only major cow-derived products that have shown any substantial growth in the last ten years.

Still, commissaries sold $348.9 million worth of dairy products in CY 1980, up from $319 million in CY 1979. This represented 8.9 precent of all commissary sales — a sizeable chunk of business and a 9.1 percent increase over last year.

While shoppers are far from giving up on the dairy case, they have been demanding a lot of innovations. Manufacturers and dairy processors are trying to respond to new consumer needs but are facing changes that are sometimes hard to make. MILITARY MARKET this month spoke with military sales managers and other sources in the dairy industry to try to put together a picture of what dairy sales will be like in the coming months.

Milk Aplenty

Although the U.S. Department of Agriculture reports that fluid milk consumption continues to drop (from 255.9 pounds per capita in 1979 to 251.3 in 1980), dairy farmers who produce milk don't seem to be listening. The USDA reports that milk production in 1980 totaled 128.4 billion pounds, the largest annual production on record and 4.1 percent above 1979's figure. "Normally there should be a two percent overproduction of milk products," a National Milk Producers Association spokesman told MILITARY MARKET. "Currently we have six or seven percent overproduction, which is too much."

Under the milk price support program, the government has been buying up excess supplies of milk in order to insure farmers will be able to cover production costs. In October, 1980, the price support level was set by Congress at $12.80 per cwt with a higher figure scheduled to go into effect on April 1 to offset inflation.

However, the Reagan administration acted to withhold the April 1 price support increase, and Congress approved the restriction in order to try to curb overproduction of milk and milk products. New legislation, currently being thrashed out among congressional committees and representatives of milk producers will set price support levels for four years, beginning on October 1st of this year.

Meanwhile, the oversupply of milk coupled with the lack of an increase in price supports has meant that prices for milk have held fairly steady, with fewer price increases than expected earlier. The USDA originally anticipated a 10 to 12 percent average increase in dairy prices for 1981, but after the April 1 price support increase was cancelled that figure was reduced to eight to 10 percent. Farmers may suffer somewhat because of the low prices, but retail shoppers will benefit.

Say Cheese

Americans are loving cheese more and more every day, it seems. While milk and butter decline, cheese continues to grow. The USDA reports that consump-

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Dairy

(Continued From Page 17)

tion of cheese was up "slightly" from 17.6 pounds in 1979 to 17.8 in 1980. The figure had stood at only 11.5 pounds in 1970.

The increase has not been uniform among all cheeses, however. According to the USDA, American cheese usage was unchanged in 1980 from 1979's amount. While usage of American cheese, which includes most popular varieties of cheddar and Colby cheeses, is still about four times as high as usage of other cheeses, American-type cheeses are not creating much "shopper excitement."

It is the non-American cheeses, particularly Swiss . cheese and Italian cheeses that are showing the real gains, with consumption up a third of a pound per capita in 1980 over 1979. "The Italian types of cheeses are growing more dramatically than cheddar or Colby," a United Dairy Industry Association spokesman told MILITARY MARKET. "We attribute this to the growing sophistication of American consumers. They are asking for more variety than they've wanted in the past."

Commissary managers should keep an eye out for **Land O' Lakes, Inc.** to become a "major factor" in the natural and processed cheese market, a company source told MILITARY MARKET. Land O' Lakes, which is owned by a dairy farmers' cooperative, stresses the wholesome naturalness of its products. The company is currently promoting its "4-Quart Cheese," for instance, with the theme, "Four quarts of milk go into every pound."

Kraft, Inc., which just finished celebrating the 100th anniversary of its Philadelphia brand cream cheese, recently introduced a line extension to that brand in the form of Philadelphia Soft Cream Cheese. The Soft version, which comes in a tub and is spreadable, is targeted largely at snacktime users who spread the product on toast, bagels, etc. It can't be used as a baking ingredient, unlike the original cream cheese. A spokesman for the company told MILITARY MARKET that the product is available in most ConUS commissaries as well as Europe.

Lookalikes Prosper

The natural cheese market could be on the brink of traveling the same road already paved by butter and cream. Just as cheese itself is growing in popularity, so imitation cheeses are growing too, and eventually imitation cheese may have the same stranglehold of the market for its type of product that margarine and non-dairy toppings and creamers have gained for theirs.

Last year, synthetic cheeses grabbed at least five percent of the $4.5 billion U.S. cheese market, up from two percent in 1978, according to a recent *Wall Street Journal* report. Imitations are expected to take 15 percent of the cheese market by 1985 and as much as half by the turn of the century.

Imitations are usually oilier, grainier, and sharper-tasting than natural cheese, although some processed varieties are said to come very close to the real thing. The big advantage of imitations is that they are usually much cheaper than real cheese and contain less cholesterol and fewer calories while retaining the same amount of nutrients.

Currently, most imitation cheese is used commercially in processed foods. For instance, mozzarella is the most popular imitation cheese, according to one report, because of its wide use in frozen pizzas. However, Kraft is currently going after the retail segment with a premium product called Golden Image, which uses milk but replaces 80 percent of the butterfat content with corn oil.

Having already witnessed major encroachments on its products by imitations, the dairy industry is not about to give up cheese without a fight. A major effort already underway by the United Dairy Industry Association and its member groups is the promotion of the "Real" seal as a way for shoppers to distinguish

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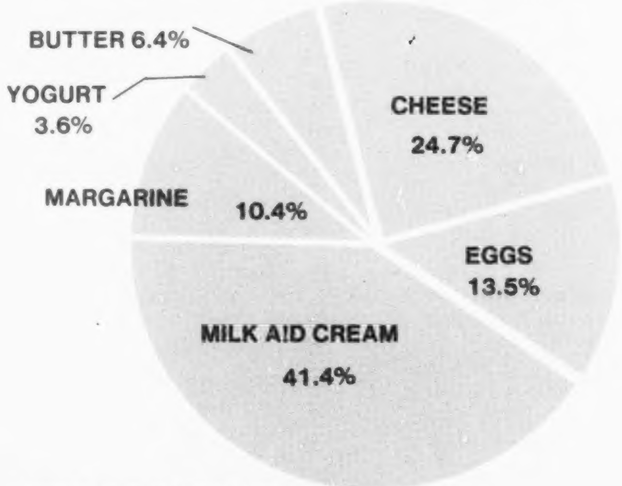
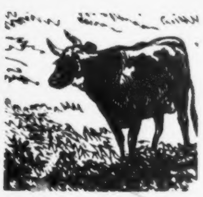
Dairy Product Sales in Commissaries Worldwide, CY 1980 $348.8 Million



Source: Research Dept., Army Times Publishing Co.



Dairy

NEW
Soft
PHILADELPHIA
CREAM CHEESE
KRAFT
NEW
Soft
PHILADELPHIA
CREAM CHEESE
KRAFT

KRAFT'S new Philadelphia brand Soft Cream Cheese was created to appeal to snackers who like to spread the product over bagels or toast.

MELT IT ON, AMERICA!
DAIRY DAYS USA
MILK
MILK

PROMATIONAL POP material, such as these decorations provided by the American Dairy Association, can spark shopper enthusiasm for basic dairy items that may not be getting their fair share of promotion.

(Continued From Page 18)

between genuine dairy products and imitations The seal, introduced last year, shows the word "Real" in bold letters on a stylized flame-like shape. According to an Association spokesman, the seal is designed to counter "piggybacking" by imitations on the quality image of dairy products. However, the success of the Real seal campaign has yet to be determined.

The Taste Edge

As already mentioned, the story of the fall of butter and the rise of imitation butter (margarine) is by now a *fait accompli*. According to one recent report, nine out of ten homemakers buy margarine regularly, whereas only 60 percent buy butter. Again, the reason seems to be the lower prices and decided health advantages that margarine has over butter. Butter, however, maintains a taste edge over margarine in most shoppers' opinions. No matter how much margarine manufacturers promote the taste and quality of margarine, real butter remains the true premium product.

Manufacturers have recently embarked on a new strategy for reconciling the health benefits of margarine with the premium taste appeal of butter. The strategy involves blending margarine and butter together. **Borden, Inc.** is currently test-marketting a product called "Elsie's Gold Blend," for instance, which is a combination of buttermilk, butter oils and vegetable oils. The new product is reported to have half the fat of butter and 40 percent fewer calories.

Land O' Lakes is introducing Country Morning Blend, which is being tested in Chicago. The new entry is made of 60 percent corn oil and 40 percent butter. A Land O' Lakes spokesman said the purpose of Country Morning Blend is to "give the consumer a choice between premium grade margarine and grade AA butter. Some people are not satisfied with just one or the other." Mrs. Filbert's is also getting into the picture with a 75 percent vegetable oil and 25 percent buttermilk combination called "I Can't Believe It's Not Butter."

MILITARY MARKET was told by a source at a major manufacturer that unsalted margarine and butter continue to grow in volume usage. The reason for this growth was attributed to the growing proportion of smaller households that tend to give more attention to

U.S. PER CAPITA CONSUMPTION OF DAIRY PRODUCTS 1978-80

Item	1978	1979	1980	Change
Products:	Pounds	Percent		
Butter	4.5	4.6	4.6	0
Cheese	17.5	17.6	17.8	1.1
Cottage cheese	4.8	4.6	4.6	0
Ice cream	17.7	17.5	17.8	1.7
Ice milk	7.9	7.5	7.2	-4.0
Nonfat dry milk	3.2	3.4	3.2	-5.9
Canned milk	4.2	4.2	4.0	-4.8
Fluid milk:				
Whole	161.3	155.6	147.7	-5.1
Lowfat and skim	91.5	94.7	97.9	3.4
Cream and mixtures	5.6	5.6	5.7	1.8
Milkfat	20.4	20.6	20.5	-.5
Milk solids-not-fat	38.0	38.0	37.5	-1.3

Source: USDA

"gourmet" type meals than traditional family households. Unsalted butter is favored for use in cooking these meals because it doesn't impart any flavor of its own into the ingredients, MILITARY MARKET's source said, but simply adds the desired texture and creaminess. Because of their blander taste, unsalted butter and margarine are not expected to continue growing beyond a certain segment of the market.

A military sales manager for one major dairy manufacturer who preferred to remain anonymous told MILITARY MARKET that military shoppers probably tend to put even more emphasis on margarine (as opposed to butter) than civilian shoppers do. He attributed this to a greater price sensitivity among military shoppers than civilian shoppers for this type of product. "As little as a ten-cent disparity among prices will cause a great deal of loss in sales for the higher priced product," the MSM said. He added that . because of the high price sensitivity among commissary shoppers, "there would be a golden opportunity for generics to appear in commissary dairy cases."

Whiz Kid

Yogurt continues to be the whiz kid of the dairy department with sales up a reported 17 percent over last year in food stores nationwide. This figure, as solidly impressive as it is, is still a good deal below the phenonmenal growth rates of just a few years back, when yogurt was growing at a 50 percent rate or even higher.

The real yogurt craze of the seventies turned a once scoffed-at food, which Americans considered a bit peculiar, into a highly fashionable snack. Yogurt's purported highly nutritional and healthful aspects were apparently the major factor in winning over hordes of new converts, but probably a close second factor was the expanded availability of fruit flavored yogurts in many kinds in addition to the plain variety. Plain yogurt remains somewhat too tart or otherwise unappealing to the average American palate, commentators have said, and it currently accounts for only about nine percent of yogurt sales.

While yogurt craze may now be abating somewhat, manufacturers still expect the cultured product to maintain a solid growth pattern for a long time to come.

"Consumption of yogurt in the U.S. is currently about five cups per person per year," Bill Camacho, marketing director for **Dannon Milk Products** told MILITARY MARKET. "In Europe, consumption stands at around 20 to 25 cups pr person. Our goal is to have U.S. consumption eventually match the European rate."

The increasing acceptance of yogurt by Americans seems to be a parallel phenomenon with the increasing consumption of cheese. Both point to a greater sophistication among shoppers and a broadening acceptance of many different kinds of foods. Camacho said yogurt appeals to young, sophisticated shoppers who are concerned with their health.

A number of different styles of yogurt are currently vying for market shares. Dannon, the leader in yogurt sales in the U.S., has concentrated chiefly on the "sundae" style, which has fruit or other flavoring at the bottom of the cup that has to be stirred into the actual yogurt before eating. A recent report stated that sundae style accounts for about half of all yogurt sales. Swiss style yogurt, which comes with the fruit already mixed in, holds about 37 percent of the yogurt market.

But a new kind of yogurt is beginning to shake up the older market shares. Drinkable, or French style, is becoming a hit in many areas, though in some parts of the nation it sells poorly. Newcomers, like **General Mills'** Yoplait and **Kellogg's** LeShake, both supported by heavy advertising, have been major factors in the rise of French style. Dannon is currently testing its own version of the style, called Mélangé. The product is eventually expected to go into national distribution. MM

MILITARY CLUBS

CAN THE RESALE SYSTEMS HELP?

Forced to operate with shrinking funds, military clubs are looking for answers to cope with both the general problems of the hospitality industry and the difficulties that come from being federal instrumentalities. A NAF panel recommended greater club use of commissaries, but cooperation between the resale systems and clubs still has not reached its full potential.

ROUGHIN' IT ain't easy — and military clubs have been forced lately to learn that lesson.

The fat years that are characteristic of high-consumption war times, have given way to leaner ones, with less money, less staff and less patronage to do the job.

"The club system has gone through peaks and valleys," Captain Richard E. Morgan, chief of the Navy's Mess Operations told MILITARY MARKET recently. In view of the problems surrounding current and future club operations, there is little doubt that clubs are not in a peak position today, club officials seem to agree.

Although overall food and beverage sales dollars have grown in most clubs, inflation has taken its toll and left sales rather flat. "Last year, the whole hospitality industry levelled off," an Air Force club official said — and service clubs are no exception.

But food and beverages are not the only things military clubs provide to their patrons. "We are more than restaurants," the Air Force club spokesman said. As a result, clubs have more responsibilities and potential problem areas than civilian eating and drinking places.

First set up in the early 1800's, service clubs have offered their members a place to congregate with peers, to get acquainted with each other outside of offices and barracks and to conduct official functions. The clubs have also fed their patrons, quenched their thirsts, entertained them with music and shows, cashed their checks and allowed them to buy liquor for off-the-premise consumption.

These functions required — and still do — a large and competent staff, sizeable operating funds and the support of local commands and patrons.

All these are on the wane. As a service "industry," military clubs suffer from the same shortage of competent — but inexpensive — help that plague many restaurants. Operating funds, which in the past were bolstered by revenue from package stores and slot machines, have been cut substantially and support of commands and patrons is sometimes lukewarm.

Understanding the difficult times in which the clubs now find themselves is to understand the system in which they operate. Each of the armed services maintains its own club system; this includes officers clubs, NCO clubs and enlisted men's clubs. Today there are approximately 900-1000 clubs scattered around the world, serving their patrons in highly urban areas as well as in tropical and rural environments.

The sizes of their buildings and their clientele vary from base to base — and so do their operating procedures and financial situations. What they do have in common is their mission — to serve military personnel, their guests and their families and to contribute to their morale and welfare.

In their mission, clubs have been supported to some degree by the Congressional realization that morale and welfare are instrumental in recruiting and retaining service personnel. Since the late 1940's this realization has been translated into dollars and cents of appropriated funds which are available to clubs for certain fixed expenses. But clubs have to generate operating funds on their own.

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MILITARY CLUB AND PACKAGE STORE SALES FY 1979 AND 1980
($ Millions)

	Clubs		Package Stores	
	FY 1980	FY 1979	FY 1980	FY 1979
Army	273.1 *	229.1 *	151.7 **	138.9 **
Air Force	193.6	176.1	112.8 **	99.3 **
Navy	128.4	117.5 ***	93.2	88.8
Marine Corps	38.2	40.1	19.5	19.4
Coast Guard	5.5	5.1	15.3	12.8

* Includes revenue of Armed Forces recreation centers and hotels
** Includes USAREUR/USAFE Class VI package stores
*** Was listed as $141.8 million before Navy changed accounting procedures.
Source: Army Times Publishing Co. Research Department

(Continued From Page 22)

Revenue Losses

Up until 1972 clubs enjoyed the revenue from overseas slot machines and the profits that military liquor stores made. These stores were initially part of club operations and gave clubs the opportunity to buy liquor in bulk and offer it to their members at reasonable cost.

But disclosures about slot machine fraud and abuse forced Army and Air Force to yank these machines from overseas installations (they had not been legal in ConUS since the early fifties) and consequently do without the funds these machines provided. The Navy and Marine Corps, however, not plagued with scandals, have retained theirs.

The package store profits became an endangered species when a Non-Appropriated Funds panel recommended in 1972 that clubs and package stores should be run as separate entities and that package store profits be handed over for general MWR use.

Although the 1972 panel's recommendation went partially unheard, a second panel revived them in 1979 with greater emphasis and some dismay. This time, DoD stepped into action and mandated that the clubs comply. The result: many of the panel's recommendations became "the law of the land," said one system official.

Losing the package store profits meant tighter belts for the clubs. "It's the toughest managerial problem," Clare Moelk, DoD's Assistant Director for Personnel Administration and Services, told MILITARY MARKET.

So far, all the services are working on formulas to reduce the package store profits at a gradual pace. "We wean them away from [them]," an Army club system spokesman said. "If we just pulled them, we would wreck the system."

Whatever a system's weaning approach, clubs will have to work harder to stay self-sufficient or to show a net income. Although the individual military club branches do not set profit ceilings, they all want clubs to stay out of the red and still provide their customers with good service.

The Commissary Mandate

The NAF panel, which recommended the package store profit pull, did its best to offer solutions to that problem including greater centralization on a DoD level, better (and increasingly) civilian management — as well as greater club use of commissaries for food purchases.

It suggested "that overseas clubs be required to purchase their food and related requirements through the military commissary system. Prudent management," the panel said, "dictates that the clubs take advantage of the cost savings which can often be realized by obtaining the necessary items from the commissary system. It does not make sense to buy the same or similar product from offshore sources and pay more for it when it is conveniently available on-post at a more reasonable price."

Although the suggestion pertained only to overseas clubs, the panel stated elsewhere that "clubs should purchase supplies through the commissary systems to the extent possible."

The DoD position on the panel's recommendation was terse. "Concur," wrote Maj. Gen. R. Dean Tice, deputy assistant Secretary of Defense, Military Personnel Policy, in his reply to Rep. Dan Daniel (D-Va.), chairman of the panel.

On an individual service level, concurrence followed in word and action. "The [Army Club and Community Activities Management] Directorate encourages clubs to use the commissary," the Army club spokesman said. It does so through workshops, seminars and publications with which the directorate provides guidance and support to individual clubs. The Army club branch realizes that some things clubs may need may not be available overseas but "generally [the commissaries] meet [the clubs'] procurement needs in the States," the Army source said. He also added that comparisons between commissary and vendor prices are presented to Army club managers to show possible cost savings.

The Air Force also stresses price comparisons. "We don't want to tell clubs what or whom to use," an Air Force official said.

Instead it encourages managers to compare and get the best in price and quality.

The Navy takes a similar position. It does not follow a strict policy toward its clubs of "you will do as told," but suggests commissary use whenever possible.

And although the Marine Corps club branch also stated that service clubs make use of commissaries "as much as we can," as its spokesman said, most service club branches give more than a token nod to the day-to-day realities of club operation.

Are Commissaries Useful?

"The panel's recommendation [on commissary use] did not take into consideration all factors," one club system official told MILITARY MARKET. "There may be differences in quality and quantity." In addition, buying from the commissaries makes little sense if club managers lose time or money in the process.

Another club system official indicated that the food demands of private households and clubs often differ. While households can live with meat cuts of varying sizes, for instance, clubs cannot. They want portion-controlled cuts that assure equal food quantities to all of their patrons. In addition, buying from the commissaries can be " a great deal of a logistics problem," he said. Not only can commissaries not be expected to deliver to a club's doors, they also need more personnel to prepare the kinds and qualities of food a club may want.

The Troop Support Agency — the Army's commissary branch — echoed thoughts along the same line. "Savings to clubs [when shopping in the commissary] can be as much as 20 percent," a TSA spokeswoman told MILITARY MARKET. But she, also, pointed to the need for portion-controlled items and added that clubs may lose some of their gains by having to hire extra help to cut and trim big meat portions. In addition, "special items are often required that are not regularly stocked by commissaries." Examples are individual packages of jams, jellies, condiments and cereal which clubs could only buy as special purchases and order well in advance.

AFCOMS stated that Air Force commissaries "can handle the club business if we know what the club needs," reaffirming the need for well-ahead planning and ordering.

While the commissary systems appear to be willing to help the club business whenever possible, neither TSA, AFCOMS or NAVRESSO maintains any specific sales figures. Nor do any of the commissary systems seem to have heard much of the 1979 NAF panel recommendation to clubs to step up commissary purchases. Interface between the club systems on the one side and the commissary system on the other side appears to be scarce at best.

Clubs and Exchanges

But some club supplies do come from the exchange services. While little or no business seems to be generated through hardline or softline items, clubs do purchase beverages and make occasional use of exchange facilities such as the laundry. According to a NAVRESSO spokesman, "Navy exchanges have been providing support in several overseas areas to individual requests from clubs." Most of the resulting purchases have been sodas and beer which Navy exchanges sell to clubs at a 10 percent service charge over cost; regular beer and soda sales have a higher markup.

AAFES has been selling soft drinks to clubs and messes worldwide to the tune of $6.4 million last year, a spokesman said, but no figures were available for other types of purchases.

AAFES Europe, however, did institute a program under which U.S. Choice prime rib beef was offered to clubs at a quality and price "not available from local vendors." The program, which was begun roughly two years ago, was recently discontinued since "clubs were not ordering [the beef] in sufficient quantities to keep the program going," an official noted.

Neither the Army club branch nor AAFES have a ready answer to why clubs' responses to the prime rib offer were so unfavorable. AAFES Europe acknowledged that "prime rib is no longer carried by the Gruenstadt meat-cutting plant for club use. The item was not a good mover and the depot inventory became substantial, with product ageing becoming a problem. The item was offer-

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WORLDWIDE MILITARY CLUB AND PACKAGE STORE SALES BY SERVICE AND AREA
($ Millions)

AREA	ARMY	AIR FORCE	NAVY	MARINE CORPS	COAST GUARD	TOTAL SERVICE
ConUS	175.1	177.8	152.3	32.4	14.3	551.9
Alaska & Hawaii	22.4	12.4	9.7	5.5	0.9	51.0
Total	197.5	190.2	162.1	37.9	15.3	602.9
OVERSEAS						
Europe, Mid-East & Africa	114.1	48.4	14.6	0.2	0.01	177.3
Far East	41.4	31.2	44.4	21.1	—	138.1
Miscellaneous Overseas	14.9	5.7	9.5	0.3	2.6	33.1
Total Overseas	170.5	85.2	68.6	21.6	2.7	348.5
Undistributed Sales	—	0.002	—	—	—	0.002
TOTAL WORLDWIDE	367.9	275.4	230.6	59.5	17.9	951.4

Source: Army Times Publishing Co. Research Department

MILITARY CLUBS

(Continued From Page 25)

ed to the club systems at a discount to reduce inventory losses."

According to an Army club system publication, AAFES also offered European clubs direct delivery of meat and ice cream products to club warehouses. Ice cream purchased that way would be cheaper than that at commissaries, it said.

SERVICE CLUBS' FOOD, LIQUOR AND ENTERTAINMENT COSTS FY 1980

($ Millions)

	Food	Liquor	Entertainment
Army	40.0	25.0	11.5
Navy	29.8	19.5	7.4

Source: Army and Navy Club Systems

The Bottom Line

While both commissaries and exchanges offer their help to facilitate the club business, clubs are often not too interested in taking advantage of it.

"Commissaries are designed for the military patron," Richard Storey, Executive Director of the International Military Club Executives Association, told MILITARY MARKET. Clubs on the other hand look for edibles in food-service sized containers.

"Commissaries are not set up to cooperate with clubs, although not through fault of their own," one club manager said. "They don't deliver and usually vendors are cheaper." He also claimed that in many cases the same vendors supply clubs and commissaries at the same price — and that buying from the commissary, which adds a service charge, makes little sense. Freshness of produce was cited as another problem area as well as large quantities.

An informal survey of some of the officers' and NCO clubs in the Washington, D.C., area showed great variations in commissary use by clubs. One officers' club buys 40 to 50 percent of its food (although very little meat) from local comstores and sees "no problem" in doing so, finding vendor and commissary prices competitive.

Yet from two neighboring clubs of the same service which buy considerably less from comstores came the message that prices are better from vendors or that some things can be obtained more easily from them.

Virtually none of the clubs utilized the exchange system; one club listed occasional purchases of charcoal for outdoor grilling.

Under pressure to maintain high standards of food and beverages, clubs turn to the same sources they have successfully dealt with in the past: local vendors. And although clubs — as well as club branch systems — seem to be willing to give commissaries and exchanges a try whenever feasible, clubs are still a long way away from using the resale systems as their primary source of food and beverage supplies. The goodwill exhibited by everyone concerned, a goodwill possibly intensified by the NAF panel recommendations, seems to fall short of the operational requirements of modern-day clubs.

DISTRIBUTION OF MILITARY CLUBS AND PACKAGE STORES BY SERVICE AND AREA WORLDWIDE CY 1979*

SERVICE	WORLDWIDE	DOMESTIC	CONUS	ALASKA & HAWAII	OVERSEAS
MILITARY CLUBS					
Army	257	159	149	10	98
Air Force	303	219	208	11	84
Navy	308	244	225	19	64
Marine Corps	72	61	53	8	11
Coast Guard	38	34	28	6	4
PACKAGE STORES					
Army	145	60	57	3	85
Air Force	161	92	84	8	69
Navy	110	81	78	3	29
Marine Corps	17	15	13	2	2
Coast Guard	34	32	27	5	2

*** Excludes clubs and package stores closed during CY 1979.**

Source: Army Times Publishing Co. Research Dept.

Military Market INDEX

COMMISSARIES

		MAY CY'81	MAY CY'80	MAY % CHANGE	YEAR-TO-DATE CY'81	YEAR-TO-DATE CY'80	YEAR-TO-DATE % CHANGE
AIR FORCE	CONUS	$130,843	$121,919	+7.3	$637,207	$576,457	+10.5
	OVERSEAS	27,517	25,312	+8.7	131,624	117,740	+11.8
	TOTAL	158,360	147,231	+7.6	768,831	694,197	+10.8
ARMY	CONUS	98,488	92,144	+6.9	471,016	433,680	+8.6
	OVERSEAS	29,848	29,016	+2.9	143,208	133,328	+7.4
	TOTAL	128,336	121,160	+5.9	614,224	567,008	+8.3
NAVY	CONUS	51,403	49,226	+4.4	239,272	229,450	+4.3
	OVERSEAS	6,135	6,060	+1.2	28,960	27,836	+4.0
	TOTAL	57,538	55,286	+4.1	268,232	257,286	+4.2
MARINES	CONUS	11,284	10,056	+12.2	52,027	47,373	+9.8
	OVERSEAS	178	165	+7.9	835	743	+12.4
	TOTAL	11,462	10,221	+12.1	52,862	48,116	+9.9
COAST GUARD	CONUS	501	434	+15.4	2,496	2,176	+14.7
	OVERSEAS	156	129	+20.9	992	667	+48.7
	TOTAL	657	563	+16.7	3,488	2,843	+22.7
ALL COMMISSARIES	CONUS	292,519	273,779	+6.8	1,402,018	1,289,136	+8.8
	OVERSEAS	63,834	60,682	+5.2	305,619	280,314	+9.0
	TOTAL	$356,353	$334,461	+6.6	$1,707,637	$1,569,450	+8.8
GROCERY STORES	U.S.[1]	$18.777 bil.	$17.478 bil.	+7.4	$87.989 bil.	$80.818 bil.	+8.9

EXCHANGES

		MAY CY'81	MAY CY'80	MAY % CHANGE	YEAR-TO-DATE CY'81	YEAR-TO-DATE CY'80	YEAR-TO-DATE % CHANGE
AAFES	CONUS	$211,017	$191,765	+10.0	$963,484	$846,081	+13.9
	OVERSEAS	143,527	133,136	+7.8	678,717	630,423	+7.7
	TOTAL	354,544	324,901	+9.1	1,642,201	1,476,504	+11.2
NAVY	CONUS[2]	90,333	83,625	+8.0	400,771	370,038	+8.3
	OVERSEAS[2]	31,551	30,948	+2.0	147,535	140,840	+4.8
	TOTAL[2]	121,884	114,573	+6.4	548,306	510,878	+7.3
MARINES	CONUS	26,892	24,004	+12.0	122,469	106,904	+14.6
	OVERSEAS	4,098	3,627	+13.0	19,184	16,693	+14.9
	TOTAL	30,990	27,631	+12.2	141,653	123,597	+14.6
COAST GUARD	CONUS[3]	6,237	4,840	+28.9	28,492	22,096	+29.0
	OVERSEAS[3]	695	611	+13.8	3,179	2,787	+14.1
	TOTAL[3]	6,932	5,451	+27.2	31,671	24,883	+27.3
MAIL ORDER	CONUS[4]	745	719	+3.6	3,837	3,674	+4.4
	OVERSEAS[4]	2,905	3,966	-26.8	14,519	18,092	-19.8
	TOTAL[4]	3,650	4,685	-22.1	18,356	21,766	-15.7
ALL EXCHANGES	CONUS	335,224	304,953	+9.9	1,519,053	1,348,793	+2.6
	OVERSEAS	182,776	172,288	+6.1	863,134	808,835	+6.7
	TOTAL	$518,000	$477,241	+8.5	$2,382,187	$2,157,628	+10.4
DEPARTMENT STORES	U.S.[1]	$8.367 bil.	$7.682 bil.	+8.9	$35.453 bil.	$32.313 bil.	+9.7

AAFES and Navy Exchange sales have been adjusted for 1980 to reflect the breakout of mail order sales.

Individual figures may not add to totals, due to rounding. All sales are expressed in millions (add 000), except for grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges and exchange sales include concession volume.

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[1] Source: U.S. Department of Commerce.

[2] Does not include sales of ship stores.

[3] MM estimate, based upon official data.

[4] Includes consolidated sales for all services, including Coast Guard. Data prior to July 1980 was extracted from respective AAFES and NAVRESSO mail order catalogs.

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Military Market

MAGAZINE FOR THE MILITARY RETAIL SYSTEM ARMY TIMES PUBLISHING COMPANY OCTOBER 1981-$1.00

CONVENIENCE STORES

Good Things Come in Small Packages

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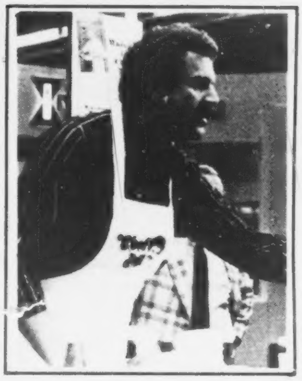
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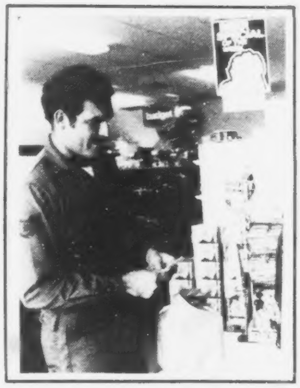
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Hot Stuff in the Housewares Department

EXCHANGES ARE finally part of a housewares revolution that swept the country some years ago. The revolution's name: microwave ovens.

Barred from ConUS exchanges until recently (with the exception of exchanges in remote locations), microwave ovens have now been officially authorized for sale by Congress. Hopes are high that this will invigorate a mature category which, in 1982, is expected to grow between eight to 12 percent in dollar sales.

Nationally, the appliance has scored well in consumer acceptance. According to a spokeswoman of the Association of Home Appliance Manufacturers, unit shipments of microwave ovens and microwave oven/range combinations have risen on an average of 37 percent per year between 1972 and 1980. Market penetration is estimated to be 18 percent of all electrically wired homes.

What accounts for microwave ovens' popularity are their energy-saving features and their ability to de-frost or cook food in record time. For many small households or households in which all family members work outside the home, these features seem valuable and worth every penny of their price.

Although military shoppers have not been able to buy the much coveted appliance in most ConUS exchanges, many have found the ovens already installed in their homes or ended up buying them overseas or in civilian stores. As a result, sales for cookware designed for microwave ovens have flourished.

AAFES has already "done very well in microwave cookware," Rex Keely, supervisory specialist for housewares and toys, told MILITARY MARKET, and features a full line which will be reviewed in detail in a few months. "It's an easy category to get into," Keely said — and AAFES tries to get multifunctional pieces that can be used in microwave as well as in regular ovens.

Whether the ovens already existing in military households will put a damper on patrons' enthusiasm for the appliances' new availability in exchanges is still a question, but Keely is optimistic. With the addition of five US-made microwave ovens to the ConUS housewares assortment — ranging from $259 to $570 retail and manufactured by **Amana**, **Litton**, **Magic Chef**, **Panasonic** and **Sharp** — AAFES expects to generate some $7 million in 1982, he said.

"It was a good move for Congress to authorize the ovens," Keely said. They are "very productive in their use," and will be "a major benefit to customers."

The first ovens were scheduled to arrive in AAFES warehouses by the end of September, although the full assortment will probably not be available before November. Given quick customer awareness of the newly available product — and AAFES intends to spread the word fast through flyers and base publications — microwave ovens may add substantially to Christmas sales.

Yet other housewares categories are not expected to suffer as a result of the excitement over the ovens. Noting a strong interest in home cooking and home entertainment, Keely told MILITARY MARKET that housewares sales have been "strong" for the last one or two years.

AAFES has been very successful with SilverStone®-coated pots and pans, gourmet-type items and convection ovens. Many of its housewares categories will soon be reviewed in order to update the current assortment.

Candidates for assortment additions are cookware utilizing copper bottoms, fine china and glassware and plastic items. So far, better china and glassware have been barred from exchanges because of high price points, but now that price ceilings on most exchange items have been lifted, AAFES will do "a serious study of the U.S. china and better lines of casual dinnerware," Keely said.

The update of current assortments as well as the addition of microwave ovens will spice up the entire department and undoubtedly wet customers' appetites.

EXCHANGE HOUSEWARES SALES
CY 1978, 1979, 1980
($ MILLIONS)

	1978	1979	1980
Glassware			
Individual Drinking Glasses	1.4	1.6	1.8
Glassware/Drink Sets	4.2	4.6	5.2
Baking/Cooking Glassware	10.0	11.1	12.6
Total	15.6	17.3	19.6
Kitchenware	42.2	48.1	63.8
Small Appliances			
Mixers/Blenders	40.3	43.2	45.5
Electric Frypans/Hotplates	11.3	12.2	12.8
Coffee Makers	15.6	16.7	17.6
Roasters/Broilers	3.6	3.8	4.1
Toasters/Grills	15.2	16.6	17.3
Total	86.0	92.5	97.3
Grand Total	143.8	150.9	180.7

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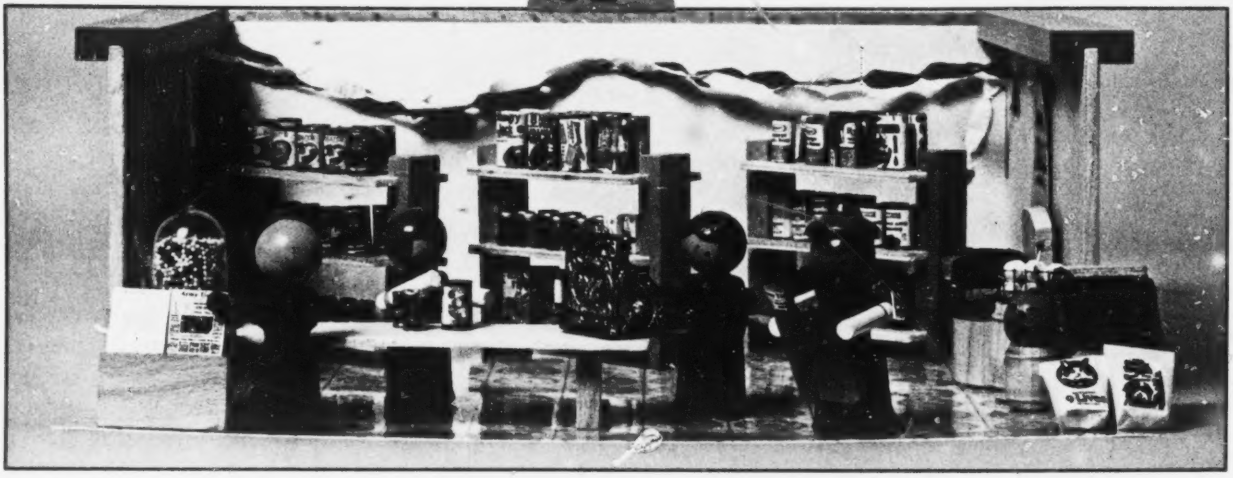


Good Things Come

By Donna J. O'Neal

The c-store business is undergoing change, nowadays. Lines of merchandise are being expanded and new warehousing methods are being used. But old-fashioned merchandising muscle also is being used to keep these stores alive and well. They can represent an important source of revenue.

CONVENIENCE SHOPPING without the inconvenient price — that's what military c-stores offer their customers.

Located in most on-base housing areas, but sometimes attached to the main exchange, military c-stores allow the casual and quick shopper to come in and get some necessities without spending a lot of time in line or fighting thick crowds.

The same, of course, is true in the civilian world, except for one major catch — the civilian customer pays a price for the convenience of shopping in a store with instant access parking and a limited but essential assortment. The military customer doesn't. Prices are basically the same in both main exchanges and convenience stores, since exchanges run these outlets.

Not surprisingly, most c-stores have a loyal clientele. As the cashier-checker at the Andrews AFB, Md., Shoppette told MILITARY MARKET, "Our store really isn't large enough to support the volume of business from our customers. We are so close to the housing area that we have a constant customer flow. What that means is that we are constantly restocking the shelves to keep up with business."

(More shoppers might be inclined to use the military convenience store if they were aware that the prices in the c-store are exactly the same as those in the exchanges, with the exception of special sales, of course. Several military shoppers MILITARY MARKET talked with believed that the c-stores have higher prices, just as convenience stores outside the gates do.)

What lures customers so steadily into the c-store is a tight but well-developed assortment of groceries, household goods, frozen foods, books and magazines, cigarettes, H&BA, soft drinks and beer — lots and lots of beer.

This type of assortment has resulted in c-store sales of $269 million, accounting for about seven percent of AAFES overall 1980 sales. NAVRESCO recorded convenience food products sales of $51.5 million in 1980, which is about four percent of the system's total exchange sales for the year.

Changes Ahead

Military c-stores differ from their civilian counterparts in ways other than price. Few on-base c-stores have the soft drink dispensers, chilled sandwiches, microwave ovens and other instant food fixings so prevalent in civilian c-stores. The grocery assortment also has been somewhat limited in military c-stores

in Small Packages

MARKUPS

PRICES in c-stores are the same as in military exchanges now, but things may be changing. At MILITARY MARKET presstime, an AAFES spokesman reported that the whole area of markups is under review by AAFES commander, Maj. Gen. Duane H. Stubbs. The spokesman said that he didn't know whether markups would be adjusted up or down. "Officials only would say that the markups may be adjusted, and are under review," the spokesman explained.

as a result of House Armed Services Committee regulations. But things are changing.

Food items are supposed to be carried only in the commissaries, according to HASC regulations. But because commissaries often are limited to 40-50 hour, five-days-a-week selling periods, many exchanges do stock an assortment of food and beverage items to fill convenience shopping needs. In the past, ConUS exchange officials have been required to submit large numbers of annual requests for deviations from the exchange regulation.

The requirement for such requests was eliminated by the HASC in July of this year. The result is that c-store grocery assortments are being expanded, resale system officials said. Not only will more groceries be carried, but items in larger sizes also will be stocked, officials told MILITARY MARKET.

Plans for quick-preparation food facilities in exchange c-stores also are on the drawing board. An AAFES spokesman told MILITARY MARKET, "We expect to eventually get into chilled or frozen prepared foods. Right now our snack foods are very important to the store."

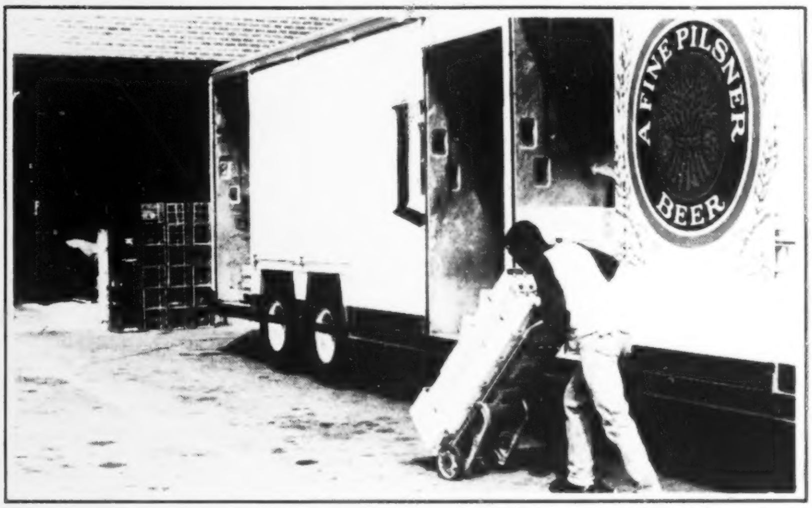
With these changes, exchanges will have few limits on the types of merchandise they can carry in c-stores. Aside from jewelry and military uniform items, c-stores are authorized to carry any item the exchanges carry. This dictum is followed within reason, of course — there are no cameras, stereo systems, clothes or golf clubs. But there is an amazing array of products offered in these outlets, requiring that c-store operators know a little about a lot of categories.

That job is not made easier by the requirement to constantly restock the small shelf space allotted each product and product category. Just keeping the items in-stock can be a full-time operation. But more is necessary in order to make the c-store as successful an operation as possible. Merchandising, stocking seasonal items, carefully selecting new items, effectively using p-o-p materials and maintaining a neat and clean store all are important aspects of running a viable c-store. Here's how c-store industry experts and resale system officials think the job should be done:

In-Store Techniques

In-store merchandising is crucial in convenience stores, according to a *C-Store Business* report, since customers often shop with the idea of buying one or two specific items. After all, there's not much room or time to browse.

(Continued On Page 26)



A BEER FLOW CHART: Regular deliveries of beer arrive at c-store back doors. The beer is unloaded, often by AAFES employees, directly into the store room. And as is needed, it arrives on the sales floor either in case displays or shelved in chill cases and on gondolas. The cycle is completed when a customer purchases a couple of cans, a six-pack or case of the beverage. And then the cycle begins all over again.

Photos by Robert Garretson

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And the customer expects few surprises in the selection and placement of products in the c-store.

The report cites several areas in the store where effective merchandising aids can be used. These are: the sales counter, glass doors, floor space and shelves. Many of the ideas are similar to those used in either grocery stores or general merchandise stores — but they are tailored for the c-store atmosphere. This does not mean simply making signs and displays smaller. It means merchandising and cross-merchandising items that are important and profitable in the c-store environment.

For example, sales counter merchandising can be important to highlight such impulse items as cigarette lighters, candy or gum. Simple hand-lettered signs can be used at the counter, which say such things as: "Lighting up? Don't forget a lighter," or "A sweet treat can't be beat. Buy a... bar." The c-store merchandising report cited sales increases of between 23 and 40 percent for such items highlighted during a two-week period in one c-store chain. The important feature of the sales counter is that it is front and center in the c-store. Thus various small signs can be quite eye-catching.

Simple signs can be equally effective at the chill case to cross-merchandise products or announce special sales. The c-store merchandising report gave an example of placing cheese in the center of a chill case beer display and using a sign to suggest that beer-buyers purchase cheese to

snack on. Sales for the particular cheese more than doubled during the special display period, the report notes.

Floor space merchandising can be particularly important. And, according to resale system officials, as seen during visits to military c-stores, the space is generally used to merchandise one of the fastest sellers in military c-stores — beer.

Beer-by-the-case is one of the top sellers in c-stores, according to resale system officials. And beer takes up more space than any other category in the military c-store because it is sold both chilled and by the case, warm. Hence it is logical that floor space be used for case displays. At the Andrews AFB Shoppette, MILITARY MARKET noted that most of the case displays include signs that give six-pack and case prices, and announce special sales. Most of the cases were displayed on gondola ends, facing the front door of the store. Each was neat and didn't block aisle space. Altogether it seemed like just the type of display the c-store merchandising report would cite as a winner.

If there's more merchandising space available, the report suggests using such items as a styrofoam cooler for a dump bin to display cookies near the milk display or tablets and pencils near the children's book display. The floor can be an important merchandising area — as long as it is uncluttered.

Even more can be done in the store. For example, operators at the NAS Pensacola, Fla., Mini Mart constructed a very attractive sign atop one of the store's gondolas. The decorative poster highlights the Oriental food section on the gondola, announcing it both in English and Japanese. A caricature of Mount Fuji also adds to the sign, giving the store a touch of the exotic. The large display is easy to see throughout the store, yet it does not obstruct any important walk- or selling space in the store.

Ins and Outs

Sodas, beer, cigarettes, milk and bread: These are the backbone in any military c-store. An AAFES spokesman told MILITARY MARKET that groceries, cigarettes and beer are the three top selling items in c-stores. NAVRESSO's top selling items — in order — are cigarettes, dairy products, baked goods, beer, sodas, candy, and pet foods.

But most c-stores sell much more, from books and magazines to car wax and disposable diapers. How does the operator determine what items to stock? Headquarters guidance is, of course, first and foremost. And what that generally amounts to is recommendations to carry the leading brand name items (one or two) in each category. Very few, if any, generic products can be found. Also-ran or me-too items by definition will suffer.

(Continued On Page 30)

By Any Other Name

WHAT'S IN A NAME? Very little, when the subject is an AAFES convenience store. The small grocery, beer, cigarette and H&BA outlets are called by many names, though each one signifies a convenient, compact shopping mart.

Here's a list of some of the names used for AAFES c-stores:

Shoppette (official name)

Shopette

Foodland (what most AAFES-Europe c-stores are called)

Country Store

Stop 'n Shop

MiniMart●
Quik Shop

Quik Stop

Shoppette Quick Pick●
Convenience Store

B-Extra

7-Day Store

Special Store

Family Store●
Groceteria (what most AAFES-Alaska c-stores are called)
Picnic Pantry●

Picnic Palace

Reesette (Reese AFB, Texas)

One reason the shops have such a wide assortment of names is that many are named locally. AAFES allows this. NAVRESSO, on the other hand, calls all its convenience stores Mini Marts. Most Marine Corps convenience stores are called just that — Convenience Stores. Some are called 7-Day Stores. (MM)

C-Stores Grow . . .

CONVENIENCE STORES are "the most viable growth segment of the food retailing industry," a 1980 Frost & Sullivan report says.

The research organization's study conservatively projects that total c-store sales will almost triple between 1979 and 1989, attaining a 10 percent share of total food store revenues, up from just six percent in 1979.

Part of this will undoubtedly come from a rise in the number of total c-store units; they're expected to increase 44 percent by 1989. "There is little indication as yet that the civilian market is anywhere near saturation in respect to numbers of convenience stores, even in the regions of maximum penetration," the report notes.

This should impact favorably on military convenience stores. Customers will expect that they can shop in an on-base outlet that offers them quick service for a slightly higher price than the commissary offers. They should be pleased to learn that military c-store prices aren't any higher than exchange prices.

Demographics favorable to military convenience store sales include the increase in military working wives and the concentration of young adults (20 to 34 years) in the services. The Frost & Sullivan report says that young adults now comprise 63 percent of all c-store shoppers. And while men are primary users of civilian c-stores, women are primary customers in military c-stores, according to AAFES officials.

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AAFES issues a list telling what products are to be stocked in its c-stores, in keeping with its centralized management structure. This list is compiled by the headquarters merchandising specialists with input from regional c-store merchandising specialists.

Nonetheless, AAFES c-store operators aren't completely limited to headquarters guidance as to what products are carried. "Whenever a particular local need or demand is determined for some unusual item, c-store managers can make special requests to the headquarters to carry the products," an AAFES official told MILITARY MARKET.

However, AAFES is moving away from an open-order process and beginning to warehouse products for the c-stores in its local and regional warehouses. Delivery then is made from these storage points to the c-stores on a regular basis. This change is taking place in stages, an AAFES official told MILITARY MARKET. By August, AAFES had begun to warehouse such categories as infant formulas, coffee and tea. Most other product categories are slated to follow suit within a short time. Perishable items, such as dairy products and beer, will continue to be vendor-delivered, the AAFES official told MILITARY MARKET.

Among the special services provided by some c-stores are barbecued chicken, fresh bakery goods and hot roasted nuts, all of which are available at various AAFES c-stores in ConUS and abroad, according to resale system officials. NAVRESSO reports that few if any special services are offered in Navy c-stores, universally known as Mini Marts. However, because Navy commissaries do not sell cigarettes or sodas, the customers in these c-stores may perceive these products as a special offering.

Electronic games are another offering that is slowly infiltrating the military world of convenience stores. At this time, very few of the whirring, buzzing machines are in military c-stores. AAFES officials report that more will be going to the stores, however. The machines can be an important source of earnings. NAVRESSO officials say no electronic games will be placed in Navy Mini-Marts.

C-store operators need to consider exactly who their clientele is in order to offer the special goods and services that will be in demand. In most cases, it's a woman shopping the military c-store, ac-

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. . . And Gain Market Shares

C-STORES are taking an increasing share of the total grocery retail market in a number of food categories. Overall, convenience stores commanded about six percent of total U.S. food store revenues in 1979. That figure is projected to be more than 10 percent in 1989.

Here are sales figures and percentages of total grocery store sales for several key convenience store categories, per a Frost & Sullivan study:

Meat	$5.0	.02%
Bakery goods	$1,066	8.6%
Beverages	$1,235	10.6%
Dairy	$1,518	14.2%
Prepared foods	$173	5.0%
Alcoholic beverages	$1,332	14.2%

$ in millions
Source: Frost & Sullivan

AAFES C-STORE SALES

SHOWN on this page are average monthly sales for AAFES convenience stores, including those combined convenience store-Four Seasons stores that ring up the majority of sales in the convenience store category. Some of AAFES' c-stores are linked with main exchanges, and sales figures for these outlets are not available. Figures have been rounded off, where necessary.

Total sales for each AAFES region, and the number of c-stores reporting are as follows:

SOUTHEAST	$45,755,029 (32)
ALAMO REGION	$27,033,095 (21)
CAPITOL REGION	$25,755,410 (29)
OHIO VALLEY REGION	$26,803,974 (34)
GOLDEN GATE REGION	$32,412,637 (24)
AAFES-EUROPE	$80,308,454 (66)
AAFES-PACIFIC	$30,746,482 (17)
TOTAL	$268,815,081

SOUTHEAST REGION

ALABAMA

Fort Rucker (1)	$145,543
Maxwell AFB (1)	$67,662
Fort McClellan (1)	$73,775

FLORIDA

Homestead AFB (1)	$92,769
Eglin AFB (1)	$134,372
Patrick AFB (1)	$143,999
Tyndall AFB (2)	$130,391
MacDill AFB (1)	$84,307

GEORGIA

Fort Benning (1)	$365,313
Fort Gordon (1)	$260,608
Fort Stewart (1)	$181,400
Fort McPherson (1)	$105,540
Robins AFB (1)	$108,035
Moody AFB (1)	$64,421

MISSISSIPPI

Keesler AFB (3)	$204,903

NORTH CAROLINA

Fort Bragg (2)	$417,732
Seymour Johnson AFB (1)	$68,583

SOUTH CAROLINA

Fort Jackson (3)	$284,927
Shaw AFB (1)	$151,495
Charleston AFB (1)	$138,322
Myrtle Beach AFB (1)	$72,760

OFFSHORE

Puerto Rico (1)	$322,440
Panama (4)	$193,795

ALAMO REGION

ARKANSAS

Little Rock AFB (1)	$193,467

LOUISIANA

Fort Polk (1)	$113,609

NEW MEXICO

Cannon AFB	$73,587
Holloman AFB (1)	$110,727

OKLAHOMA

Fort Sill (1)	$113,815
Tinker AFB (1)	$110,149
Vance AFB (1)	$11,39

TEXAS

Fort Hood (5)	$706,983
Dyess AFB (1)	$82,276
Reese AFB (1)	$51,658
Sheppard AFB (1)	$117,345
Fort Sam Houston (1)	$133,098
Randolph AFB (1)	$69,855
Lackland AFB (1)	$160,435
Fort Bliss (3)	$204,361

CAPITOL REGION

DELAWARE

Dover AFB (1)	$120,375

MAINE

Bangor Int l. Airport (1)	$87,283

MARYLAND

Walter Reed (1)	$31,392
Bolling AFB (1)	$21,667
Andrews AFB (1)	$84,458
Aberdeen/Edgewood (2)	$41,508
Fort Meade (3)	$163,350

MASSACHUSETTS

Fort Devens (2)	$209,375
Westover (1)	$161,100

NEW JERSEY

Dix/McGuire (7)	$256,896
Fort Monmouth (1)	$37,225

NEW YORK

U.S. Military Academy (1)	$42,417

VIRGINIA

Cameron Station (1)	$264,042
Fort Belvoir (1)	$229,842
Langley AFB (2)	$189,292
Fort Lee (2)	$115,773

OHIO VALLEY REGION

COLORADO

Lowry AFB (1)	$81,590
USAF Academy (1)	$500,056
Peterson AFB (1)	$52,089
Fort Carson (1)	$76,326

ILLINOIS

Scott AFB (1)	$75,530
Chanute AFB (3)	$151,778

INDIANA

Fort Benjamin Harrison (1)	$70,000

KANSAS

Fort Leavenworth (2)	$19,667
Fort Riley (1)	$129,671
McConnell AFB (1)	$36,942

KENTUCKY

Fort Knox (2)	$119,248
Fort Campbell (3)	$393,500

MICHIGAN

Selfridge AFB (2)	$65,242
Wurtsmith AFB (1)	$36,735
K.I. Sawyer AFB (1)	$83,228

MISSOURI

Fort Leonard Wood (1)	$107,348

NEBRASKA

Offutt AFB (4)	$286,824

NORTH DAKOTA

Grand Forks AFB (1)	$98,316

OHIO

Wright-Patterson AFB (3)	$89,296
Rickenbacker AFB (1)	$23,115

SOUTH DAKOTA

Ellsworth AFB (1)	$65,903

WYOMING

F. E. Warren AFB (1)	$56,307

GOLDEN GATE REGION

ARIZONA

Davis-Monthan AFB (1)	$168,979
Fort Huachuca (1)	$115,773

CALIFORNIA

Fort Ord (2)	$235,161
Travis AFB (1)	$46,496
Beagle AFB (1)	$77,094
George AFB (1)	$108,882
McClellan AFB (1)	$115,698
Mather AFB (1)	$60,161
Williams AFB (1)	$57,661
Los Alamitos (1)	$118,485
Castle AFB (1)	$38,827

NEVADA

Nellis AFB (1)	$167,330

UTAH

Hill AFB (1)	$95,802

WASHINGTON

Fort Lewis/McChord AFB (4)	$577,002

ALASKA

Elmendorf AFB (2)	$285,975
Fort Wainwright (2)	$191,321
Fort Richardson (1)	$106,796
Eielson AFB (1)	$105,051
Fort Greeley (1)	$28,620

AAFES-EUROPE

BERLIN

Berlin (2)	$293,465

FRANKFURT

Bad Nauheim (1)	$23,603
Rhein-Main (1)	$60,812
Bad Hersfeld (1)	$39,241
Buedingen (1)	$43,903
Wiesbaden (1)	$319,496
Butzbach (1)	$52,953
Frankfurt (3)	$353,355
Darmstadt (1)	$115,947
Gelnhausen (1)	$57,777
Giessen (1)	$66,031
Hanau (1)	$101,591
Kirchgoens (1)	$48,757

KAISERSLAUTERN

Heidelberg (2)	$323,348
Kaiserslautern (1)	$325,784
Pirmasens (1)	$138,761
Ramstein (1)	$255,906
Mannheim (1)	$245,085
Sembach (1)	$119,657
Zweibruecken (1)	$85,255

NUERNBERG

Crailsheim (1)	$39,664
Bamberg (1)	$158,878
Fuerth (1)	$268,176
Grafenwoehr (1)	$148,245
Wildflecken (1)	$104,158
Hohenfels (1)	$30,013
Illesheim (1)	$66,501
Nuernberg (1)	$13,757
Munich (1)	$182,776

TURKEY

Izmir (1)	$75,809
Adana (1)	$149,530
Ankara (1)	$5,600

SPANGDAHLEM

Bad Kreuznach (1)	$87,071
Bitburg (1)	$105,773
Baumholder (1)	$237,048
Bremerhaven (1)	$114,043
Soesterberg (1)	$70,553

STUTTGART

Aldingen (1)	$82,382
Augsburg (1)	$155,220
Aschaffenburg (1)	$116,479
Esslingen (1)	$82,188
Goeppingen (1)	$60,220
Heilbronn (1)	$107,229
Wuerzburg (1)	$152,404
Schw. Gmuend (1)	$29,933
Stuttgart (2)	$135,517

ITALY

Vicenza (1)	$145,665
Aviano (1)	$149,175
Brindisi (1)	$62,893

SPAIN

Madrid (1)	$119,678
Zaragoza (1)	$49,103

UNITED KINGDOM

Bentwaters (1)	$101,776
Woodbridge (1)	$73,858
Lakenheath (1)	$161,406
Mildenhall (1)	$145,482
Feltwell (1)	$25,559
Upper Heyford (1)	$105,724
Alconbury (1)	$111,726
Fairford (1)	$37,624

GREECE

Athens (1)	$35,146

AAFES-PACIFIC

Hawaii Area (3)	$1,073,457
Japan Area (4)	$178,278
Korea Area (4)	$662,065
Guam Area (1)	$56,120
Okinawa Area (4)	$335,535
Philippines Area (1)	$256,752

ORIENTAL FOODS

A NOT-SO-SIMPLE sign tells customers at the NAS Pensacola, Fla., Mini Mart that Oriental foods are stocked in abundance. Both the section and the sign are unique c-store merchandising methods.

(Continued From Page 30)

cording to resale officials. In the typical civilian c-store the shopper is male, according to a business report. Beyond being female, the military c-store shopper also most likely is young, probably with a family, or she may be a servicewoman, with or without a family.

What do most female c-store shopper buy? According to a civilian c-store report on women shoppers, soft drinks are the number-one item. This is followed by candy and gum, baked goods, cigarettes and tobacco products, milk, other snacks, and other groceries.

Of course there are male shoppers in the c-store as well. A report on what male shoppers buy illustrates that their primary purchase interests do not vary significantly from those of the women shoppers. Soft drinks again are the leading item, followed by cigarettes/tobacco products, newspapers/magazines, snacks, milk, beer and baked goods.

There are a few differences — beer and periodicals are more important to men than women, while candy, gum and groceries are more important to women.

It becomes clear why resale systems have pushed for more leniency in stocking groceries. This is an area that women shoppers feel is important — and that the services have tried to provide. For example, at the Andrews AFB Shoppette, such groceries as frozen steaks (delivered by **Murray's Steaks Inc.**), frozen tv dinners, vegetables and canned meats were in abundance.

Now that the services have a free hand in offering such items, the military c-store customer should be even more satisfied. Running a convenience store isn't an easy job. But it certainly is aided by good merchandising practices, a staff willing to keep the store clean and well stocked, and freedom from bureaucracy in order to give the customer what he or she wants.

New C-Store Foods

FOOD SUPPLIERS and processors will strongly influence the convenience store industry, according to a Frost & Sullivan report, by developing convenience take-home foods, fast foods, private label products and staple traffic-building items.

For example, sales of dry drink mixes, snacks and yogurt are currently exploding, the study notes. And the growth in ownership of microwave ovens in homes is seen as ushering in a whole new wave of convenience foods (along with frozen red meats) to c-stores.

The retort pouch also will revolutionize the c-store food business by making available a vast array of entrees and complete meals to the stores. The primary benefit will be that these meals won't require frozen cabinet space. Also, collapsible tubes will make jams, butter, spreads and cheeses available in the kind of impulse packaging so vital to convenience stores, the report comments.

Food service for such items as hot and cold beverages, sandwiches, pizza, snacks, slush and in-store-heated products also stand to benefit, as customers come to recognize the c-store as a convenient fast-food outlet.

As food processors develop new lines of merchandise to lure customers into c-stores, Frost & Sullivan suggests that it be accompanied by new pricing, packaging, promotion, advertising and in-store merchandising strategies designed to increase sales to this growing market.

Frost & Sullivan's report, "Strategies on Marketing Food & Beverages to Convenience Stores," is available for $1000 from the company. Write: Frost & Sullivan, 106 Fulton St., New York, N.Y. 10038.

BEST AVAILABLE COPY

Merchandising Techniques Add New Flavor To Sales

By Susanne D. Williams

Military sales of cigarettes continue to grow and begin to reflect the industry-wide trend toward lighter products. Competition between manufacturers gets tougher as new products, including controlled-label ones, enter the market and battle for shelf space under the resale systems' finally adopted space allocation program.

MILITARY AND civilian cigarette preferences may vary, but cigarette manufacturers consider the military market with its continually strong sales volume a definite plus.

Worldwide cigarette sales in exchanges, commissaries and clubs amounted to $619.4 million in 1980, almost 8 percent more than in 1979. Although the dollar sales figure is gnawed at substantially by inflationary trends, cigarette cost increases are below the inflation rate. "In proportion to other products, cigarettes have not gone up that much," an industry source told MILITARY MARKET.

Unit sales in the military went up by 0.6 percent from 34.1 billion in 1979 to 34.3 billion in 1980. This compares with nationwide unit sales increases of 0.3 percent over the same time span, according to figures provided by the Army Times Research Department.

The military market differs from the civilian by dint of its per capita consumption. "It's a heck of a big volume," another industry source said. A third one marveled at the fact that commissaries and exchanges do not just order a few cartons, but "they order cases!"

Military customers are also predominantly young. According to Army Times figures, 83 percent of military males are in the 18 to 34 age category as compared with 42 percent in the civilian world.

This demographic fact delights some manufacturers; "it is a tremdendous opportunity for [our company] to build long-term consumers," the MSM of a major cigarette manufacturer told MILITARY MARKET. Another MSM, however, pointed to the fact that young people are inclined to smoke more full-flavored cigarettes, and since his company is strong in the field of low and ultra low brands, the youth of many military consumers held little attraction for him.

Light Vs. Full-Flavored

But although most manufacturers' representatives agree that the military is slightly behind in terms of the overall trend toward light and ultra light brands (expected to account for 97 percent of all cigarette sales by 1985, according to a *Business Week* report), the military market has almost caught up with it or sometimes even exceeded it.

NAVRESSO sales figures, for instance, show that light and ultra-light brands accounted for only 33 percent [28 percent for low, 5.3 percent for ultra-low] of all cigarette sales in 1977; by 1980 that figure had jumped to over 80 percent [65 percent for light, 15.5 percent for ultra-light]. By comparison, nationwide low-tar sales account for 41 percent of the total market and ultra-low for 11 percent, a spokesman for the Tobacco Institute told MILITARY MARKET. He added that the Federal Trade Commission defines low tar as cigarettes with 15 mg tar or less and ultra-low as containing 9 mg tar or less.

(Many industry experts point out that the term "tar," coined by the FTC, does not pertain to the stuff put on roofs or roads, but is, in accordance with the dictionary definition, "a substance in some respects resembling tar; especially a condensable residue present in smoke from burning tobacco that contains combustion by-products such as resins, acids, phenols, and essential oils." In order to avoid confusion with the road-or-

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PER CAPITA CIGARETTE SALES

	1976	1977	1978	1979	1980
U.S. Population	4,092	4,064	3,970	3,900	3,880
U.S. Military Worldwide	9,140	8,924	9,091	8,598	8,603
U.S. Military in the U.S.	8,498	8,200	8,313	8,117	8,120

MILITARY SALES OF TOBACCO PRODUCTS 1980
($ MILLIONS)

	Worldwide			Domestic		
	Exchanges	Commissaries	Total	Exchanges	Commissaries	Total
Cigarettes	332.3	223.3	555.6	262.0	189.6	451.6
Other Tobacco Products	29.3	11.8	41.1	22.2	10.0	32.2
Total	361.6	235.1	596.7	284.2	199.6	483.8

Generically Speaking

20 CLASS A CIGARETTES
KING SIZE
CIGARETTES
CLASS 'A' QUALITY CIGARETTES
FILTER LIGHTS

MILITARY SHOPPERS and resale systems react in various ways to the most unusual new cigarette on the market: generic cigarettes.

The product, introduced by Liggett and Myers nationally about a year ago, found its way into commissaries and exchanges in March of this year. Packages are simple, black and white, and just state the basics: "King Size Cigarettes, Filter Lights" or "Filter Cigarettes, Light 100's."

AAFES brought the generics into the Ohio and Capitol regions on a one-time basis only, but does not report great success with the non-branded — and cheaper by about a dollar — products. "There still may be some in the Capitol region," a spokesman said, but "we only repeat (a program) if it is successful."

NAVRESSO recommends generics (or controlled-label, as the "Class A" type cigarettes are called) for large stores only. Warning that there may be small potential for the product because of high brand loyalty by smokers, the NAVRESSO buyers, Cheryl Capolarello and Paul Karp, added that generics have not had a long enough sales history to determine their place in the marketplace.

TSA guidelines state that commissaries "can stock generics." The product "has shown some acceptance, but it's too early to see a trend," a TSA spokeswoman said.

But AFCOMS sales show remarkable growth. "Class A" filter cigarettes are currently the fifth largest seller, a spokesman said, although their position seems to fluctuate between fifth and seventh place.

A Liggett spokesman calls military acceptance of the controlled-label product "great. The price break is the main thing," he told MILITARY MARKET. The savings to both manufacturers and, ultimately, shoppers are made possible by the Spartan packaging and the lack of advertising.

Contrary to some business reports which claimed that Liggett had introduced its product without market research, Liggett had tested the product for two years before going national, the spokesman said. When entering the military market, Liggett did some sampling and offered the product initally in small orders.

Nationally, the cigarettes are distributed through **Topco Associates**, but military stores receive deliveries directly from the factory. The company also operates through its subsidiary, Gary, which had been established solely for the distribution and sales of generic and private labels.

The product has recently been extended through three new introductions: 100mm, 85mm menthol, and 100mm menthol. "With these four products, we reach 90 percent of the smoking public," the spokesman told MILITARY MARKET.

Although **U.S. Tobacco** also entered the market with a generic brand, which was tested in some commissaries a few months ago, the competitive non-brand did not equal Liggett's in quality, the spokesman said. But he added that there are constant rumors that competitors are looking at the product's acceptance rate.

The military sales manager of a major brand cigarette manufacturer confirmed that point. "If there is some business, we definitely will consider (offering a non-brand product)," he said. But so far Liggett has got the market wrapped up for itself — with competitors following the product's ups and downs with curious eyes. "Everybody is watching," one MSM told MILITARY MARKET.

BEST-SELLING CIGARETTE BRANDS

Nationwide*	AAFES**	TSA**	AFCOMS
Marlboro	Winston	Winston	Winston (1)
Winston	Marlboro	Marlboro(2)	Marlboro(1)
Kool	Kool	Kool	Generics

* Source: The Tobacco Institute
** Sources: Resale Systems
(1) Regular and lights
(2) Box and softpack

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roof tar, cigarette tar is usually put in quotation marks.)

But whether young people prefer full-flavored cigarettes rather than lighter versions is a question of debate. One MSM pointed out that most advertising for light/ultra light brands is geared toward people in the early and mid-twenties: The fact seems to emphasize that younger people view less as more. Yet another MSM noted that it is older people who are more susceptible to health warnings about the hazards of smoking and consequently "trade down" to lighter stuff.

AFCOM's sales figures reflect the continuing struggle between full-flavored and light. Of the system's four top-selling brands, two are of the light variety, although the number one spot is being held by a full-flavored brand — Winston Regular.

Winston regulars are also TSA's number one sellers, closely followed by Marlboro. But the perponderance of **J. Reynolds'** product over **Philip Morris'** one is not paralleled in the civilian market. In 1980, Marlboro was the top seller nationwide with sales of 109.5 billion and a 17.7 percent market share.

Space Allocation

Military and civilian markets also differed in another aspect until a few years ago. For many years, cigarette manufacturers have bought shelf space from civilian retailers in order to guarantee their products greater visibility and exposure. Retailers received a given amount of money for making this space available and usually pocketed it as store's profits.

Army and Air Force commissaries only began taking advantage of such arrangements earlier this year. Since they are not allowed to make profits of any sort, AFCOMS and TSA have devised a system whereby manufacturer dollars were converted into savings to the customer.

Under TSA's Cigarette Display Allocation Program, started in March 1981, Philip Morris, **Brown and Williamson**, **American** and **Liggett** "buy" commissary shelf space in return for preferred location. The companies then divide their own space allocation according to percentage of unit sales, and their products are vertically displayed.

Since the TSA agreements, renewed annually in January, are made with individual manufacturers, fiscal periods for payment vary from company to company.

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A Return To the Cuspidor?

New
GOLD RUSH
CHEWING TOBACCO

Chewing tobacco and snuff enjoy increasing customer popularity. Lorillard just introduced Gold Rush Chewing Tobacco in test markets after two years of product research and development.

FOR MANUFACTURERS of snuff and chewing tobacco, the nonsmoking tobacco market looks markedly good. "Sales [of these items] have been up over the last five years," a spokesman for the Smokeless Tobacco Council told MILITARY MARKET.

The societal pressures that bear on cigar and cigarette smokers have given rise to a number of chewing tobacco afficionados. Instead of smoking the flavorful leaves, they just chew and sniff them.

For military men, chewing tobacco and snuff have additional advantages. "The guys . . . can't smoke in the field," an AAFES spokesman said. Environments with highly sensitive electronic gear or fire-hazardous material do not lend themselves to smoking either.

Furthermore, the product is more consistent with a new mode of lifestyles, the council spokesman said. The popularity of all things western, coupled with more leisure time and outdoor living has made non-smoking tobacco a well-liked product, espcially among people in Southwestern states. The Southeast, however, is a stronger market for snuff than for chewing tobacco.

Both dry ("pulverized") and wet ("granulated") snuff are taken orally and are U.S.-produced. Imports, to the tune of 8,000 pounds in 1979, are of the sniffing sort and come primarily from Great Britain, where snuff is a venerable institution.

As demographic changes — including greater chewing tobacco and snuff use among 18 to 35 year olds and city dwellers — favor a return to these non-smoking products, manufacturers help the trend along.

There is more astute marketing, the Smokeless Tobacco Council spokesman said. Packaging is more sophisticated and the product itself has been made more palatable and diversified in flavors. The former practice of using billboards and some radio commercials has also been beefed up by major media promotions, including TV advertising. MM

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But regardless of whether the money is received monthly or quarterly, Army comstores receive a check from manufacturers as well as a number of 50 cents off coupons in the amount of the check; these coupons are attached to the cigarette cartons and offer customers a 50 cents savings over the products' regular price. The check to the stores covers the financial loss commissaries incur by selling the cartons for 50 cents less.

In the case of TSA, **Lorillard** participates only in some regions and on a limited basis. Market giant Reynolds, a TSA spokeswoman said, "does not have an agreement for vertical merchandising and doesn't participate in the program." According to a TSA press release, "cigarettes from companies not participating are displayed [on the shelves] below the others."

TSA adopted the program without prior tests. "The program had been used widely in the industry," the spokeswoman told MILITARY MARKET, and TSA officials felt that further tests were not needed.

1981 BEST-SELLING BRANDS BY CATEGORY

	Low tar	Ultra low	King Size	100 mm
AAFES				
	Marlboro Light	Carlton	Marlboro	Winston
	Winston Light	Carlton Menthol	Kool Filter	Marlboro
	Salem	Vantage Ultra King	Winston Filter	Salem
NAVRESSO				
	Marlboro Light	Carlton 100	Winston King	Winston 100mm
	Winston Light	Carlton King	Marlboro Box	Salem 100mm
	Salem Lights	Kent III	Marlboro King	Marlboro 100mm

Sources: AAFES and NAVRESSO

AFCOMS' Merchandising Payment Plan for Cigarette Products, approved for all ConUS stores in August 1980, operates under the same principles as TSA's program. AFCOMS, however, had conducted "an extensive test by the complex director, Gulf Area Complex, to determine the feasibility of the program," the system announced.

The two commissary systems, although very similar, also use different methods to determine the market share of participating manufacturers. TSA bases market shares on individual commissary sales figures within a region, whereas AFCOMS uses overall complex sales figures. AFCOMS also apportions display space horizontally (as opposed to TSA's vertical layout) and says that all major cigarette manufacturers participate in the program.

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Cigar Burnout

GENERAL PATTON was rarely seen without his cigars, but today's military men seem to do nicely without them.

Cigars and other non-cigarette tobacco items account for only 10 percent of all resale systems tobacco sales. Unit and dollar figures have been on the decline for a number of years, the resale systems report.

NAVRESSO, for instance, which took in 10 percent of its tobacco sales dollars through cigars and other non-cigarette items five years ago, now generates only 8 percent of its sales through these products, a spokesman told MILITARY MARKET.

AFCOMS reports 10 percent sales for non-cigarette tobacco items and AAFES sales do not look much different. TSA has no sales figures available.

The general decline of particularly cigars in the military systems is one that mirrors the civilian market situation.

According to the Cigar Association of America, sales of cigars in 1980 amounted to $641 million, exactly the same amount that was reported for 1975. Unit sales are declining by about seven percent a year, an association spokesman told MILITARY MARKET, but dollar sales remain reasonably stable and have even gone up one to two percent.

What accounts for cigars' stagnant sales picture is a change in social mores, the spokesman said. "The brunt of [anti-smoking] restrictions has fallen most heavily on cigars and pipe smoking," since many people seem to be more offended by cigar than by cigarette smoke. And while a cigarette only burns for five to 10 minutes, cigars can burn for up to an hour. As a result, many cigar smokers won't light up as often as they may have in the past.

Some cigar consumers have also switched to higher-priced products, the spokesman noted. Instead of smoking three or four cheaper cigars, they now just smoke one or two, albeit more costly ones.

Yet the trend toward better quality products is a ray of hope for the cigar industry. Imports and "premiums" (cigars costing 50 cents or more) are increasing in popularity, a development that also has been noted in some military stores. "There is a trend toward better cigars and better smoking and tobacco blends," AAFES reports.

The reasons for the growing yen for better smoking materials lies in the fact that smokers are trading up and many new cigar lovers enter at a higher price. In addition, the demographic profile of cigar smokers now includes more blue-collar workers and younger men in the 35 to 50-year age range, the spokesman said.

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NAVRESSO has a shelf display system only in its exchanges, since Navy commissaries are not allowed to carry tobacco products.

The rationale provided by the Navy resale system to only use exchanges for cigarette sales is that "the principal purpose of commissary stores is the sale of food and related items that are considered essential to the Navy family. Because of austere funding levels under which the Commissary program operates, the Navy believes that the limited space and labor resources which are available should be dedicated to such items rather than cigarettes. In addition, the sale of cigarettes by commissary stores would have a negative impact on Navy exchange profits. This decline, in turn, would have a detrimental effect on the exchange contributions to the Morale, Welfare and Recretation Fund."

Most manufacturers' MSMs whom MILITARY MARKET contacted were hard pressed to understand why the commissary systems were so late in adopting the space allocation practice that had been common in the industry for a number of years. "Commissaries have a problem with price reductions," one source ventured to explain, "they were a little slow." "They didn't want to get into a contract situation," another MSM said.

New Introductions

Yet manufacturers seem to be happy with the space allocation program the military systems provide. "It's working," one MSM told MILITARY MARKET.

Since the program also allows cigarette companies to place their different brands and line extensions within the approved display area, new product introductions can automatically receive strong exposure.

New introductions are almost a must in an industry that battles for market shares and consumer brand-loyalty. Few manufacturers these days offer new brands; instead they introduce line extensions of already existing ones. Most of these "offspring" are lower tar versions of established products, although some companies also offer 100 mm or menthol versions of existing brands.

Launching a new product is a costly undertaking which many manufacturers are reluctant to do. Advertising and promotion to create brand awareness or product loyalty gobble up millions of dollars — and new brands can still flop in spite of a costly support package.

The industry's latest success story comes from Brown and Williamson's introduction of Barclay cigarettes. The product was launched with an unprecedented support of $150 million ($50 to $100 million are common in the industry). It passed the magic 0.5 market share line — the equivalent of $63 million in sales and the start of success — within less than a year and is now "well on the way to 2 percent," according to the *Wall Street Journal.*

The product, recently complemented by a menthol line extension, was well received in both the civilian and military markets. Industry sources also agreed that new introductions gain customer support as fast in the military as they do on the outside. It just "takes longer to get these new products authorized," one MSM said, but he added that the resale systems "are receptive."

Product introductions overseas usually take a few months longer. Overseas military sales are often handled by a manufacturer's international department, although Lorillard's international business had been sold to Brown and Williamson. The Kent [illegible] instance, that military shoppers [illegible] in ConUS is made by a different company than the Kent they buy overseas. Taste and blend of the cigarette, however, stay the same, according to the agreement between both manufacturers.

One MSM was baffled by the volume of the overseas military business. "I think price is the biggest thing," he told MILITARY MARKET — and price was also mentioned by another MSM as the prime reason for overall brisk military sales.

The new space allocation programs should drive that point home even further.

WORLDWIDE MILITARY CIGARETTE SALES
($ MILLIONS)

	1976	1977	1978	1979	1980
Exchanges	281.6	294.6	314.3	308.2	332.3
Commissaries	168.0	171.4	190.3	207.2	223.3
Clubs	49.5	52.1	55.9	58.6	63.8
Total	499.1	518.1	560.5	574.0	619.4

Source: Army Times Publishing Co. Research Dept.

DOMESTIC MILITARY CIGARETTE SALES
($ MILLIONS)

	1976	1977	1978	1979	1980
Exchanges	215.2	225.2	234.5	238.9	262.0
Commissaries	142.0	143.2	155.5	174.9	189.6
Clubs	34.6	36.4	39.2	41.2	44.4
Total	391.8	404.8	429.2	455.0	496.0

Source: Army Times Publishing Co. Research Dept.

Military Market INDEX

COMMISSARIES

		JUNE CY'81	JUNE CY'80	JUNE % CHANGE	YEAR-TO-DATE CY'81	YEAR-TO-DATE CY'80	YEAR-TO-DATE % CHANGE
AIR FORCE	CONUS	$126,765	$108,369	+17.0	$763,972	$684,826	+11.6
	OVERSEAS	25,105	22,154	+13.3	156,728	139,893	+12.0
	TOTAL	151,870	130,523	+16.4	920,700	824,719	+11.6
ARMY	CONUS	93,392	82,784	+12.8	564,408	516,464	+9.3
	OVERSEAS	26,208	25,272	+3.7	169,416	158,600	+6.8
	TOTAL	119,600	108,056	+10.7	733,824	675,064	+8.7
NAVY	CONUS	46,586	41,437	+12.4	285,858	270,887	+5.5
	OVERSEAS	5,611	5,114	+9.7	34,571	32,950	+4.9
	TOTAL	52,197	46,551	+12.1	320,429	303,837	+5.5
MARINES	CONUS	9,819	8,435	+16.4	61,846	55,809	+10.8
	OVERSEAS	148	132	+12.1	984	875	+12.5
	TOTAL	9,967	8,567	+16.3	62,830	56,684	+10.8
COAST GUARD	CONUS	476	453	+5.1	2,972	2,628	+13.1
	OVERSEAS	129	140	-7.9	1,122	807	+39.0
	TOTAL	605	593	+2.0	4,094	3,435	+19.2
ALL COMMISSARIES	CONUS	277,038	241,478	+14.7	1,679,056	1,530,614	+9.7
	OVERSEAS	57,201	52,812	+8.3	362,821	333,125	+8.9
	TOTAL	$334,239	$294,290	+13.6	$2,041,877	$1,863,739	+9.6
GROCERY STORES	U.S.[1]	$18.231 bil.	$16.356 bil.	+11.5	$106.384 bil.	$97.174 bil.	+9.5

EXCHANGES

		JUNE CY'81	JUNE CY'80	JUNE % CHANGE	YEAR-TO-DATE CY'81	YEAR-TO-DATE CY'80	YEAR-TO-DATE % CHANGE
AAFES	CONUS	$208,174	$189,496	+9.9	$1,171,658	$1,035,577	+13.1
	OVERSEAS	136,413	134,015	+1.8	815,131	764,439	+6.6
	TOTAL	344,587	323,511	+6.5	1,986,789	1,800,016	+10.4
NAVY	CONUS[2]	86,314	81,353	+6.1	487,084	451,390	+7.9
	OVERSEAS[2]	33,258	30,595	+8.7	180,794	171,436	+5.5
	TOTAL[2]	119,572	111,948	+6.8	667,878	622,826	+7.2
MARINES	CONUS	25,753	22,605	+13.9	148,222	129,509	+14.4
	OVERSEAS	3,942	3,366	+17.1	23,126	20,058	+15.3
	TOTAL	29,695	25,971	+14.3	171,348	149,567	+14.6
COAST GUARD	CONUS[3]	6,152	4,825	+27.5	34,644	26,921	+28.7
	OVERSEAS[3]	685	608	+12.7	3,864	3,395	+13.8
	TOTAL[3]	6,837	5,433	+25.8	38,508	30,316	+27.0
MAIL ORDER	CONUS[4]	778	726	+7.2	4,615	4,399	+4.9
	OVERSEAS[4]	3,609	3,121	+15.6	18,128	21,213	-14.5
	TOTAL[4]	4,387	3,847	+14.0	22,743	25,612	-11.2
ALL EXCHANGES	CONUS	327,171	299,005	+9.4	1,846,223	1,647,796	+12.0
	OVERSEAS	177,907	171,705	+3.6	1,041,043	980,541	+6.2
	TOTAL	$505,078	$471,710	+7.1	$2,887,266	$2,628,337	+9.8
DEPARTMENT STORES	U.S.[1]	$8.216 bil.	$7.066 bil.	+16.3	$43.661 bil.	$39.379 bil.	+10.9

AAFES and Navy Exchange sales have been adjusted for 1980 to reflect the breakout of mail order sales.

Individual figures may not add to totals, due to rounding. All sales are expressed in millions (add 000), except for grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges and exchange sales include concession volume.

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[1] Source: U.S. Department of Commerce.

[2] Does not include sales of ship stores.

[3] MM estimate, based upon official data.

[4] Includes consolidated sales for all services, including Coast Guard. Data prior to July 1980 was extracted from respective AAFES and NAVRESSO mail order catalogs.